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No. 99-

IN THE

Supreme Court of the United States

YORK PRODUCTS, INC. and McCLARIN PLASTICS, INC.,

Petitioners,

v.

LRV ACQUISITION CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the Court of Appeals for the Federal Circuit has jurisdiction to review an issue of alleged patent invalidity raised in a state law counterclaim against the patent holder for unfair competition?

2. Whether a patent holder in defense of a claim for unfair competition alleged under state law is entitled to the benefit of a federal presumption that his prior suit for patent infringement was filed in good faith with proof to the contrary required by clear and convincing evidence?

STATEMENT PURSUANT TO RULE 29.6

Neither Petitioner has a parent corporation and no publicly held company owns 10% or more of the stock of either Petitioner.

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Undersigned counsel, on behalf of York Products, Inc. ("York") respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case. McClarin Plastics, Inc. by undersigned counsel joins in York's petition.

OPINIONS BELOW

The summary judgment opinion of the district court (App. B, *infra*, 11a) is unpublished. The opinion of the Court of Appeals for the Federal Circuit on the merits (App. A, *infra*, 1a) and on York's Petition for Rehearing (App. C, *infra*, 35a) are unpublished.

STATEMENT OF JURISDICTION

Petitioner York seeks review of the judgment of the Court of Appeals for the Federal Circuit entered July 12, 1999, and the denial of York's timely Petition for Rehearing entered August 5, 1999. The Court of Appeals for the Federal Circuit had jurisdiction pursuant to 28 U.S.C. § 1295, which gives that court exclusive jurisdiction over appeals in patent cases. This Court has jurisdiction to review the judgment and denial of Petition by the Court of Appeals for the Federal Circuit pursuant to 28 U.S.C. § 1254(1).

STATEMENT OF THE CASE

A. The Proceedings and Facts

This is a patent case that never went to trial. The case involves underlying legal issues of national concern significantly affecting substantive rights of all persons accused of infringing patent claims and the importance of the issues goes far beyond the immediate interest of the parties.

LRV Acquisition Corporation ("LRV"), an Ohio corporation, is the owner of a United States patent[1] for a mechanical fastener intended to secure over the rail type

1. No. 5,046,775 (the '775 patent) issued September 10, 1991 to LRV as assignee of inventors Howard W. Marcum, Jr., John R. Snyder and Robert E. Stebens.

thermoplastic bedliners in the cargo body of pickup trucks. Without fasteners to hold over the rail type bedliners in place air currents caused by the vehicle's motion can cause bedliners to literally fly away creating a hazardous situation.

York, a Pennsylvania corporation, sells bedliners in competition with LRV. York's bedliners include patented features.[2] McClarin Plastics, Inc. manufactures the bedliners which York sells. In 1991, York decided to apply for a patent on a new fastener of its own invention for use with its patented bedliner. While preparing York's application for a patent, York's outside patent counsel discovered LRV's patent which was issued September 10, 1991. After reviewing LRV's patent, he concluded York's newly invented fastener did not infringe on LRV's patent claims and, moreover, that LRV's patent was invalid. He so advised York in a detailed written analysis. On that basis, York filed its patent application on November 18, 1991 and in its application York disclosed LRV's '775 patent for consideration by the United States Patent and Trademark Office ("PTO").

LRV learned of York's new fastener at a trade show and called York's attention to LRV's patent. Before York introduced its new fastener, LRV advertised to the industry that it offered a fastener that could be installed without the need to drill holes in the cargo body of the pickup truck. York disclosed complete details of its new fastener to LRV's patent attorney and provided him with a sample fastener. York's fastener also did not require drilling holes for installation. Soon, York perceived LRV's communications to it as a threat and retained trial counsel. To fulfill a duty created by decisions of the CAFC,[3] York's trial counsel

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2. An understanding of bedliners can be gleaned from *York Products, Inc. v. Custom Form Manufacturing*, 99 F.3d 1568 (Fed. Cir. 1996).

3. *See Amsted Industries v. Buckeye Steel Castings*, 24 F.3d 178 (Fed. Cir. 1994), explaining the affirmative duties of one on

(Cont'd)

obtained a detailed written analysis from a second experienced patent attorney to further review the issue of possible infringement in light of the communications from LRV, including a claim chart. The second patent attorney independently concluded there was not infringement and that LRV's patent was invalid.

To assure LRV that York had no interest in copying LRV's fastener, trial counsel submitted the two analyses to LRV to support York's position that there was no infringement and also, that LRV's patent was invalid. Without further communication, LRV filed suit against York in Ohio for direct, willful infringement of all thirty-five claims of LRV's patent and for inducing others to infringe as well. LRV issued a news release to publicize the suit to the industry and in the community where York's place of business was located in Pennsylvania and brought the suit to the attention of York's customers.

After the PTO examined York's application for a patent, the PTO deemed York's claims of invention patentable over the prior art, including LRV's '775 patent, and on September 29, 1992, granted York a patent for use with a bedliner.[4]

In LRV's suit, York counterclaimed under state law for unfair competition, trade disparagement, and tortious interference with existing and prospective business

(Cont'd)
notice of another's patent. *Also see Johns Hopkins University, et al. v. Cell Pro, Inc.*, 152 F.3d 1342 at 1363-4 (Fed. Cir. 1998); *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253 (Fed. Cir. 1997), *cert. denied*, 523 U.S. 1071 (1998).

4. After York's patent was issued, LRV petitioned the PTO for its re-examination and cancellation of York's patent claims under 37 C.F.R. §§ 1.81 and 1.515. LRV contended York's claims were anticipated or rendered obvious in light of LRV's prior patent. After reviewing LRV's petition and re-examining York's patent, York's claims were confirmed without amendment. Later, on September 13, 1994, the PTO granted York patent 5,345,658 on the fastener per se.

relationships. York asserted there was not infringement and LRV's patent invalid or, in plain words, there was no basis for LRV's suit.

LRV later joined McClarin Plastics, Inc., for inducing infringement by supplying York with bedliners, and LRV's suit, commenced in Ohio, was transferred to Pennsylvania where McClarin had filed a declaratory judgment action against LRV seeking relief from LRV's infringement accusations. The two actions were consolidated and restyled with McClarin and York as plaintiffs.

All parties demanded trial by jury.

York contended, based on LRV's claims of invention, patent specification and file history, that York's fastener did not infringe any of LRV's patent claims and in addition the patent claims were invalid for failure to comply with 35 U.S.C. § 112[5] and for that reason § 101 as well.

On a motion for summary judgment, the district court in Pennsylvania held on February 25, 1998, that LRV's patent was not infringed. The district court denied summary judgment that the claims in issue were invalid because LRV disputed alleged facts and submitted an expert opinion that one skilled in the art would know how to make the fastener work without the benefit of the missing disclosure in the claims and specification.[6]

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5. When a patent fails to comply with § 112, it is said that it lacks enablement, a legal issue based on underlying factual inquiries. A patent that lacks enablement also lacks utility invoking the requirements of § 101. *See In Re Wright*, 999 F.2d 1557 (Fed. Cir. 1993); and *Raytheon Co. v. Roper Corp.*, 724 F.2d 951 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 835 (1984). Reference to § 112 is included in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 116 S. Ct. 1384, 134 L. Ed. 2d 577 (1996).

6. Quoting from LRV's Brief in Opposition filed with the District Court at page 4:

(Cont'd)

However, the district court went on to grant LRV's motion for summary judgment in favor of LRV and against York on York's counterclaim for unfair competition based on patent invalidity and non-infringement (App. B, *infra*, 11a). The court credited LRV with a presumption that its suit was filed in good faith, citing two district court decisions for that principle (App. B, *infra*, 26a): "Because a patent is presumed to be valid, 35 U.S.C. § 282, a patentee 'has the presumption of good faith as to his infringement filing. . . .' *Elkhart*, 867 F. Supp. at 788; *accord Lucasey Mfg. Corp. v. Anchor Pad Int'l Inc.*, 698 F. Supp. 190, 193 (N.D. Cal. 1988)."[7]

The court concluded:

> . . . "There is *no* evidence in this case that LRV *knew* its infringement action was meritless"

(App. B, *infra*, 30a).

Contrary to York's assertion, a jury in this case would not be called upon to decide whether its

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> . . . In addition, LRV has submitted . . . a declaration of James A. Kirk, Ph.D., . . . [whose] conclusions, in critical instances, completely dispute York/McClarin's supposedly "indisputable" facts which, without more, establish conclusively that material issues of disputed fact exist in this case which require that York/McClarin's June Motion be denied. The expert declared "[o]ne skilled in the art of the invention to which the patent pertains would know how to make and use the invention based on a review of the disclosure of the '775 patent . . . ."

7. *Elkhart Brass Mfg. Co. v. Task Force Tips, Inc.*, 867 F. Supp. 782 (N.D. Ind. 1994) ("The plaintiff has the presumption of good faith as to his infringement filing, and the defendant has not presented evidence to overcome this presumption.").

Lucasey, at 193, "Good faith is presumed from proof that the patentee owned the patent and believed it valid at the time of the communications." *Id.*, (*Chromium Industries*, 448 F. Supp. at 559; *Celotex Co. v. Insulite Co.*, 39 F.2d at 217-18).

> witnesses or LRV's witnesses are more credible in explaining the foundation or absence of a foundation for the lawsuit. Instead, the jury would be required to determine whether York has shown that LRV did not have an honest belief in the existence of the rights it asserted. Stated otherwise, York must show that LRV could not have believed in the correctness of its position

(App. B, *infra*, 30a).

> In the absence of evidence that a patentee knew its infringement action was meritless, a claim for unfair competition is not sustainable.

(App. B, *infra*, 30a).

York appealed. The court saw no duty on the part of LRV not to bring a suit which a reasonable inquiry would have shown to be baseless. Instead, the court favored LRV with a presumption of good faith in filing suit. York contended that any issue of LRV's state of mind under state law was for the jury and not the court to decide and York's case under state law required proof by only a fair preponderance of the evidence with no presumption in favor of the patent holder. York contended LRV knew of or should have known the patent was not infringed as well as invalid. York supported its opposition to summary judgment with both expert, documentary and physical evidence. Not one, but six limitations of LRV's claims are not to be found in York's fastener. That LRV's patent claims and specification contain no written disclosure of a critical space relationship is indisputable from the patent and file history. The court gave no weight to York's evidence regarding it as what one might "anticipate" (App. B, *infra*, 27a) even though it had already held that there was not infringement on one of the very grounds about which both York and McClarin complained from the outset.[8]

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8. The court excluded from consideration York's evidence from LRV's original patent attorney, Stebens, and a co-inventor that there (Cont'd)

York's contention that LRV was duty-bound to make an appropriate investigation and obtain a competent opinion that there was infringement and its patent valid before filing suit was the reverse side of numerous CAFC decisions placing a duty on one on notice of a patent to avoid infringement. Such decisions hold that once on notice of another person's patent, one must use due care to avoid infringement or be liable to pay treble damages and attorneys' fees to the patent holder. Due care generally requires obtaining *competent* advice. But, the CAFC does not recognize all attorney opinions as competent. *See Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253 (Fed. Cir. 1997), *cert. denied*, 523 U.S. 1071 (1998) ("The four opinions are . . . superficial and conclusory in nature. There is no analysis of specific claims, no interpretation of claim language, no discussion of the means-plus-function claim limitations and no meaningful discussion of the prosecution history.") York contended the very same principles should apply to the patent holder and if so, the conclusion inescapable that in the instant case such duty was breached as a matter of law or at least the issue was for the jury to resolve.

Finally, the court, exercising its discretion, denied that the case was exceptional and declined to award York and McClarin expenses under 35 U.S.C. § 285[9] sustained during their six-year struggle to obtain exoneration from LRV's charge of infringement.

(Cont'd)
was not infringement and the patent claims invalid. *See* footnote 19 (App. B, *infra*, 27a).

9. 35 U.S.C. § 285 provides as follows:

> The court in exceptional cases may award reasonable attorney fees to the prevailing party. *See Machinery Corp. of America v. Gullfiber AB*, 774 F.2d 467 (Fed. Cir. 1985).

On appeal and cross-appeal, the appeals court affirmed the summary judgment that there was not infringement (App. A, *infra*, 5a, 6a), held that it did not have jurisdiction to review the validity/invalidity issue (App. A, *infra*, 7a), affirmed the judgment dismissing York's claim for unfair competition (App. A, *infra*, 8a). ("As the district court noted, York has presented no evidence material to that element [damages] of its unfair competition claim.") and denial of an award under 35 U.S.C. § 285 (App. A, *infra*, 8a). ("The district court did not commit clear error that this is not an exceptional case.").

The appeals court denied a petition for rehearing that explained why the court did, indeed, have jurisdiction to decide the invalidity issue and why the district court committed plain error in refusing to submit the unfair competition issue to a jury citing a number of critical statements by the district court in its decision that were plainly incorrect and, more likely than not, misled the district court to an erroneous conclusion. A critical statement by the district court is clearly in error and is a very serious mistake in the court's analysis: (". . . It was only because the claims in issue were construed to require a limitation not explicitly set forth in the claims that the accused device was determined to be non-infringing . . . .," (App. B, *infra*, 28a)), and in its conclusion: "The fact that limitations had to be read into the '775 Patent claims also confirms LRV's good faith belief in its infringement action." (App. B, *infra*, 32a). However, the limitation to which the court referred to negate LRV's bad faith in filing suit is in fact an *expressed limitation* in the claims (". . . thereby providing downward and horizontal locking forces" Claim 1, Col. 15, l. 24, *see also* Claim 31, Col. 18, l. 33 and Claim 35, Col. 20, l. 3) as the court of appeals immediately recognized and explained (*See* 3a-6a).

> ". . . they serve to specify critical properties of the clamping surfaces of the fasteners that fall within the scope of the claims. As the applicant

> unmistakably indicated during the prosecution of the '775 patent, only fasteners having clamping surfaces that effect downward locking forces are within the scope of claims 1 and 31."

(App. A, *infra*, 5a).

The limitation was not *read* into the claims as stated by the district court. The limitation was added by LRV to obtain the patent. Obviously the limitation was of critical importance and known to LRV as well as its complete absence from York's fastener before LRV filed suit. The absence established there was not infringement.

B. Briefly About Infringement and Invalidity

The photographs (App. D, *infra*, 36a, 37a) show LRV's best mode commercial bedliner fastener illustrated in Fig. 2 of LRV's patent — and in place with a bedliner as also illustrated in Fig. 2. The fastener base is about three quarters of an inch wide and the locking tongue one quarter inch wide by one and three quarter inches high and one inch deep. LRV's patent includes three independent claims: 1, 31 and 35. Claim 35 includes a cargo body with a flange having a lip while claims 1 and 31 do not require a lip. Pickup truck cargo body rail flanges are vertical. If a lip is present, the lip may be horizontal at a right angle to the vertical flange or at a lesser or greater angle to the vertical part. The photo 37a discloses a lip at a right angle, as shown in Fig. 2 of the patent and without a lip (App. D, *infra*, 38a).

Photos 39a and 40a show the York fastener in comparable positions. York's fastener is not a copy or similar to any of LRV's claimed inventions although both are fasteners to serve the same purpose.

According to LRV's patent specification and claims, the V-shaped clamping surface of LRV's locking tongue (the inventors' term) creates both horizontal and downward locking forces after the fastener is inserted through an aperture made in the bedliner sidewall and the V-shaped

clamping surface is rotated against the lip or vertical flange of the separate cargo body. The specification states that the upper end of the bedliner aperture is to be located slightly below the bottom of the pickup truck cargo body flange and similar language appears as a limitation in claims 31 and 35.[10] Claim 1 does not include an aperture or refer to a location for an aperture. York's fastener does not have a V-shaped clamping surface or tongue and the end of York's elongated generally C-shaped flexible member does not engage the cargo body flange end or lip under any circumstance but completely bypasses those points. York's projection is made to dimensions to develop only a horizontal pinch-like force against the side of the flange so that the bedliner is not locked in place but can move relative to the cargo bed both vertically and horizontally to accommodate thermal expansion of the thermoplastic material.

The commercial fasteners of both LRV and York are made of plastic and cost about ten cents a piece or less to make. Use of such fasteners results in significant labor savings in the installations of bedliners. Other bedliner suppliers use different designs with some more expensive fasteners costing as much as one dollar per fastener.

Both the district court in granting summary judgment that there was not infringement and the court of appeals in affirming, made an independent review of LRV's patent, file history and other evidence and arrived at the same conclusion as the two patent attorneys who advised York that there was not infringement.

The court of appeals noted in particular that LRV obtained allowance of the claims of invention by making a specific representation to the PTO that what distinguished

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10. "Said elongated aperture extending a distance downwardly from the bottom edge of the cargo bed flange." Col. 17, l. 66-68, Claim 31. For claim 35, "[the] upper end of the aperture will be located slightly below said bottom edge of said flange in use." Col. 18, l. 60, 61.

LRV's fastener from prior art was the ability of the fastener to create a downward locking force to secure the bedliner in place (App. A, *infra*, 4a). The court of appeals noted that LRV rewrote the claims to overcome a rejection and obtain the patent (App. A, *infra*, 4a). Because the structure of York's fastener does not create downward and horizontal locking forces and differs in structure and function, it does not infringe.

With regard to the issue of invalidity which the CAFC did not address, for the LRV fastener to achieve the required two locking forces, the spaced relationship between the *bottom* of the bedliner aperture (rather than the location of the upper end of the aperture as stated in the specification and Claims 31 and 35) and the end of the pickup truck cargo body flange or lip is critical to achieve horizontal and vertical locking forces between the bedliner and cargo body. Further, that there is no explanation set forth in the patent specification and claims is apparent from reading the patent and file history. Moreover, if the alleged invention is practiced in accordance with the specification and claims with the upper end of the aperture located slightly below the bottom edge of the flange,[11] the fastener of Claims 1 and 31 is inoperative when *no* lip is present.[12]

* * *

The pre-suit charges for the two professional analyses for York cost no more than $10,000, but it took six years in two district courts, nearly another year in the court of appeals and hundreds of thousands of dollars in out-of-pocket costs and expenses to defend against LRV's charge of infringement that could not survive a motion for summary judgment.

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11. Claim 1 does not include an aperture and is also invalid for that reason.

12. On at least two occasions, one in court and another recorded on video at the deposition of LRV's inventor and original patent attorney, LRV's fastener failed to create any forces and fell out of the aperture and onto the floor.

York has licensed its bedliner patent to others but because of LRV's claim of infringement and the litigation, York has been prevented from licensing its fastener patent.

The law of Pennsylvania provides a common law remedy for LRV's misconduct which York asserted as a counterclaim for unfair competition.

REASONS FOR GRANTING THE WRIT

There are very important reasons why a writ should be granted. The issues are critical to all persons who have been or may be accused of patent infringement. Since its creation, the CAFC has had exclusive jurisdiction to review district court judgments rendered in patent cases and as a consequence little or no opportunity exists for other circuits to consider the issues and express their beliefs. Rights granted under state law are involved yet there is little or no opportunity for review of such rights in a state court and decisions of the CAFC are in direct conflict with state law, a decision of the Ninth Circuit Court of Appeals and even a prior CAFC decision as hereinafter noted. There is confusion with regard to the application of the presumption of patent validity granted under 35 U.S.C. § 282 to claims of infringement, and more particularly, whether a federal presumption of "good faith" applies in favor of the patent holder in defense of state law claims.

The court of appeals' denial of jurisdiction to decide the invalidity issue or failure to return the issue to the district court for trial is difficult to understand in light of this Court's discussion in *Cardinal Chemical Company v. Morton International, Inc.*, 508 U.S. 83, 113 S. Ct. 1967, 124 L. Ed. 2d 1 (1993), noting the desirability of removing invalid patents from the patent rolls. Except to litigate the validity of LRV's patent, there is no other way to resolve the issue and LRV put the issue into play.

There is a long overdue need for a uniform, clearly defined standard of care on the part of a patent holder before

claiming infringement or filing suit. Is the patent holder entitled to a presumption that suits for infringement by the patent holder are filed in good faith? Favoring the patent holder with a presumption of good faith finds no precedent in this court and is contraindicated. There is a definite conflict between the rights of the patent holder under federal law to enforce the patent grant and the rights of the accused under state common law to be free from baseless suits. The harm that can be caused to an innocent party can be devastating. While state law is intended to provide recourse, in actual practice, since creation of the CAFC, state law rights have been rendered practically non-existent because of a presumption of good faith granted to patent holders and the additional burden of proof placed on the accused. There has been no indication from the CAFC that it will change or even modify its position that patent holders have superior rights to accused infringers. Decisions of the CAFC have had the practical effect of granting immunity to patent holders from claims for damages to innocent victims by baseless accusations of infringement or where a patent is or should be known to be invalid. The CAFC has so handicapped the accused infringer that a recovery for misconduct has been denied except in the rarest of cases.

Decisions of the CAFC concerning the harm caused by patent holders and the effort of innocent parties to obtain relief have attracted national attention and is the subject of an article, *Recovering Attorney Fees and Damages When Defending Against Bad Faith Patent Litigation*, by Richard P. Beem, Esq. published in the February 1998 issue of the *Journal of the Patent and Trademark Office Society* (JPTOS) (pages 81 to 100) which bears reading. Mr. Beem's article begins with the statement, "An alleged infringer can vindicate herself by proving a patent invalid or not infringed, but at what cost? One or two million dollars in legal expenses, not to mention lost customers, lost profits, and lost executive time spent on litigation at the expense of the business."

(footnotes omitted). It also should be noted that not all accused infringers have the means to defend false charges of infringement and may be forced to submit to the demands of the patent holder even though the patent is invalid or not infringed. It is very important to clarify their rights.

While the pre-suit standard of care on the part of a patent holder has been and is a national issue of importance, for the better part of twenty years the CAFC has avoided placing any specific duty on a patent holder other than to state he must not act in "bad faith". At the same time, it has created a barrier to protect patent holders from damage claims and burdened the accused infringer to the extent a completely innocent party is deprived of substantial rights created under state law. There is not a level playing field but there should be. The present situation cries out for review and correction which only can come from this Court.

THE FIRST REASON

The importance that invalid patents be identified and removed from the patent rolls is well known and discussed in the *Cardinal* case, *supra*. Reexamination provides one means of canceling invalid patents but where the invalidity issue arises under § 112, reexamination is unavailable. Thus, the only means available for removing LRV's patent is through the litigation process. In the instant case, York submits that surely the court of appeals has jurisdiction to review the invalidity issue or that it should remand the issue for trial. Because LRV opposed York's summary judgment motion by raising an issue of disputed facts, if that is sustained, then such disputed facts would be for the jury to resolve. The *Cardinal* case, *supra*, indicates the court of appeals does indeed have jurisdiction to decide whether or not a patent is invalid even if there is not infringement because of the public interest to be served. The issue of invalidity was raised independently in York's counterclaim. That it was and is proper to do so should be free from doubt. *See Dow Chemical Company v. Exxon Corporation*, 139 F.3d

1470 (Fed. Cir. 1998), *reh'g denied*, 144 F.3d 1478, *cert. denied*, 143 L. Ed. 2d 37 (1999); *Shelcore, Inc. v. Durham Industries, Inc.*, 745 F.2d 621 at 624 (Fed. Cir. 1984). York alleged LRV's patent was invalid for failure to comply with 35 U.S.C. § 112 and § 101. When York appealed from the district court's judgment against it on York's counterclaim, York believed the appeal carried the issue of invalidity to the court of appeals. The issue of appellate jurisdiction to review the issue was neither briefed nor argued by either party; rather, the court of appeals raised the issue *sua sponte*, based on certain proceedings in the district court which it appears the court of appeals misinterpreted.

It is believed that the court of appeals' statement that it has no jurisdiction likely resulted from a misunderstanding of the lower court proceedings as York explained in its Petition for Rehearing. York agrees with the court of appeals that the issue of invalidity as a defense to LRV's claim of infringement was mooted when summary judgment was granted in favor of York and McClarin without the need to reach that issue. That decision put McClarin out of the case. But surely the invalidity issue was not mooted as an essential element of York's counterclaim for unfair competition based on independent jurisdiction. *See Shelcore, Inc.* ("Shelcore could not unilaterally remove the validity issue because Durham's counterclaim put validity of all the claims in issue") ("*Altvater v. Freeman*, 319 U.S. 359, 636, 63 S. Ct. 115, 117, 87 L. Ed. 1450, 57 U.S.P.Q. 285, 288"). The court of appeals simply denied rehearing without comment (App. C, *infra*, 35a).

As matters stand, York's effort to prove the patent invalid as a matter of law was thwarted at the district level by LRV's assertion of a factual dispute and the summary dismissal of York's counterclaim. In that connection, the district court when dismissing York's counterclaim said only,

> The fact that York has been denied summary judgment on the patent validity issue confirms LRV's good faith belief in its patent rights.

(App. B, *infra*, 32a).

While York believes LRV's patent is invalid as a matter of law, surely York was and is entitled to have the issue of invalidity submitted to a jury if it can truly be said that a genuine dispute exists with regard to a material fact.

THE SECOND REASON

A. Prior to Creation of the CAFC a Duty Existed

Prior to the first pertinent decision of the CAFC, it was believed that a positive duty existed on the part of the patentee to establish good grounds to do so before asserting infringement or filing suit. In *Coal Processing Equipment, Inc. v. Campbell*, 578 F. Supp. 445 (S.D. Ohio 1981), the court at 465 stated:

> . . . accusations of infringement must be made with extreme accuracy and caution, and, to the maximum extent possible, in such a manner that they may be substantiated and verified. *Callmann, supra* . . . (2R. *Callmann, The Law of Unfair Competition, Trademarks, and Monopolies*, § 42.4 at 254-255 (3rd ed. 1968).

Callmann cites a number of decisions in the context of unfair competition cases concerning warnings given by a patentee to possible infringers that were either justified or unjustified and with regard to the latter, that unjustified accusations could give rise to a claim for unfair competition. The terms bad faith and good faith were used to describe the patentee's conduct in making accusations of infringement. But no presumption of good faith in filing suit existed with regard to asserting an infringement claim. *See Kaehni v. Diffraction Company*, 342 F. Supp. 523 at 536 (D. Md. 1972), *aff'd*, 473 F.2d 908 (4th Cir. 1973), *cert. denied*, 414 U.S. 854, 94 S. Ct. 151, 38 L. Ed. 2d 103 (1973) (awarding attorneys' fees

under § 285). ("No . . . presumption attaches to an allegation of infringement . . ." (p. 536)).

B. It Is Clear That Patent Rights Can Be Abused

The possibility that patent rights can be abused has been recognized for many, many years. *See Standard Sanitary Mfg. Co. v. United States*, 226 U.S. 20, 33 S. Ct. 9, 57 L. Ed. 107 (1912); *Mercoid Corp. v. Mid-Continent Invest. Co*, 320 U.S. 661, 64 S. Ct. 268, 88 L. Ed. 376 (1943); *Precision Instr. Mfg. Co. v. Automotive M. Mack Co.*, 324 U.S. 806, 65 S. Ct. 993, 89 L. Ed. 1381 (1944) and *Walker Process Equip. v. Food Mach. Chem. Corp.*, 382 U.S. 172, 86 S. Ct. 347, 15 L. Ed. 2d 247 (1965).

In the *Mercoid* case, 320 U.S. at 665, this court stated:

> The grant of a patent is the grant of a special privilege "to promote the Progress of Science and useful Arts." Const. Art. I, § 8. It carries, of course, a right to be free from competition in the practice of the invention. *But the limits of the patent are narrowly and strictly confined to the precise terms of the grant.* (citations omitted). It is the public interest which is dominant in the patent system. (citations omitted). It is the protection of the public in a system of free enterprise which alike nullifies a patent when any part of it is invalid. (citations omitted) . . . (Emphasis supplied).

Unfortunately not all patent holders have heeded this court's admonition that there are metes and bounds to their grant.

The court's analysis concerning the meaning of sham litigation in *Professional Real Estate Investors v. Columbia Indus., Inc.*, ("PRE") 508 U.S. 49, 113 S. Ct. 1920, 123 L. Ed. 2d 611 (1993), is believed pertinent and instructive. The case involved an antitrust counterclaim alleging certain copyright infringement suits were "sham." The court concluded that a two part test should be followed to determine if litigation is sham rather than a subjective test:

> First, the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits" and, if that test is satisfied,
>
> [Second] . . . the court should focus on whether the baseless lawsuit conceals 'an attempt to interfere *directly* with the business relationships of a competitor. . . .

(123 L.Ed.2d at 624).

The first part of the analysis clearly establishes an objective test and at the same time an affirmative duty. In a state court action breach of the duty would be for the jury. To fulfill that duty would require a patent holder to make or hire experts to make an appropriate investigation of the device or method in question, an honest, unbiased, competent evaluation of the patent claims and a fair application of the claims to the device or method in question. If adopted in patent infringement cases, the "success on the merits" duty should afford a reasonable degree of protection from unjustified charges and suits. Moreover, it is fair to both sides and protects each from the other. York submits the test establishes a reasonable and objective test but such test is presently lacking in patent law and York submits that it should be adopted as a principle.

C. CAFC Decisions Have Negated State Rights

Since 1982, published decisions of the CAFC with regard to claims for unfair competition against a patent holder do not mention the existence of any specific duty on the part of the patent holder before accusing others of infringement or filing suit. On a number of occasions alleged misconduct has been reviewed in the context of sanctions under Rule 11 or for an award of attorney fees and expenses under § 285. *See S. Bravo Systems, Inc. v. Containment Technologies Corp.*, 96 F.3d 1372 (Fed. Cir. 1996), where it was inadequate for the patent holder's attorneys to rely on the patentee's lay

opinion of infringement and the case was returned to the trial court for further consideration. *Also see View Engineering, Inc. v. Robotic Vision Systems*, 115 F.3d 962 (Fed. Cir. 1997) (sanctions against a law firm); *Haynes Intern., Inc. v. Jessop Steel Co.*, 8 F.3d 1573 (Fed. Cir. 1993), *clarified*, 15 F.3d 1076 (1994) ("A frivolous infringement suit is one which the patentee knew or, on reasonable investigation, should have known, was baseless."). However, using the words bad faith, baseless, reckless or frivolous fails to provide an objective standard applicable in all cases by which to assess the patentee's conduct. Moreover, CAFC decisions have had the practical effect of directing trial courts to engage in subjective fact finding in their search for bad faith or good faith, focusing mainly on the patentee's state of mind — a matter that at best is elusive of proof, largely subjective, inappropriate and uncalled for because evaluating matters of science, engineering and technology are subject to objective analysis. However, if the issue of mental state must be decided, it should be for the jury and not the court to resolve under applicable state law standards with appropriate instructions.

In *Loctite Corp. v. Ultraseal, Ltd.*, 781 F.2d 861 (Fed. Cir. 1985), it appears the CAFC first faced the issue of alleged patentee misconduct giving rise to a claim for damages against the patent holder. The issue arose in the context of an antitrust counterclaim dismissed by the district court. The district court dismissed the antitrust counterclaim because *Loctite* did not bring its suit for patent infringement in "bad faith." The district court adopted the reasoning of *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986 (9th Cir. 1979), *cert. denied*, 444 U.S. 1025, 100 S. Ct. 888, 62 L. Ed. 2d 659 (1980), for lack of a Seventh Circuit decision. Because the counterclaim involved an antitrust theory and could result in treble damages, the district court required *Ultraseal* to prove by "clear and convincing" evidence that the infringement suit was brought in "bad faith." *Ultraseal*

contested that standard urging the CAFC to follow the preponderance of the evidence standard but it declined to do so stating at 781 F.2d at page 876, "We decline to do so, and more importantly, we believe the court of appeals for the Seventh Circuit would decline to do so."

Quoting from *Handgards*, the CAFC adopted the following rationale:

> Patentees must be permitted to test the validity of their patents in court through actions against alleged infringers. . . . On the other hand, infringement actions initiated and conducted in bad faith contribute nothing to the furtherance of the policies of either the patent law or the antitrust law. 601 F.2d at 993, 202 U.S.P.Q. at 348.

The court of appeals agreed with the reasoning of *Handgards* that there must be a barrier to prevent the frustration of patent laws from antitrust suits and protect the "honest patentee" who brings suit to protect his patent. After explaining that the barrier was to protect against antitrust suits the CAFC stated:

> "The barrier identified by *Handgards* is that a patentee's infringement suit is presumptively in good faith and that this presumption can be rebutted only by clear and convincing evidence." *Id.* *Handgards* specifically rejected a "preponderance standard" because that would eliminate a barrier we hold necessary and were it accepted as proper, "might well chill" legitimate patent enforcement efforts "because of fear of the vexatious or punitive consequences of treble damage suits."

Id. at 876.

Note the statement that, "a patentee's infringement suit is presumptively in good faith and that the presumption can be rebutted only by clear and convincing evidence." This is the key to understanding how state law has been eviscerated.

All of *Ultraseal*'s arguments were rejected but the good faith or bad faith of the patent holder is both vague and largely subjective and an unsatisfactory principle to apply because there is no specific duty on the part of the patent holder by which to judge good faith or bad faith against. Like the problem of defining "sham" litigation, one need only consider the definition of bad faith to recognize that it is unsatisfactory. Bad faith is defined in *Black's Law Dictionary, Sixth Edition* as follows:

> Bad faith. The opposite of "good faith," generally implying or involving actual or constructive fraud, or a design to mislead or deceive another, or a neglect or refusal to fulfill some duty or some contractual obligation, not prompted by an honest mistake as to one's rights or duties, but by some interested or sinister motive. Term "bad faith" is not simply bad judgment or negligence, but rather it implies the conscious doing of a wrong because of dishonest purpose or normal obliquity; it is different from the negative idea of negligence in that it contemplates a state of mind affirmatively operating with a furtive design or ill will. *Stath v. Williams*, Ind. App. 367 N.E.2d 1120, 1124. An intentional tort which results from breach of duty imposed as consequence of relationship established by contract. *Davis v. Allstate Ins. Co.*, 101 Wis.2d 1, 303 N.W.2d 596, 599.

Few if any persons will admit to bad faith in filing suits yet experience demonstrates many suits fail because there are no facts to justify alleging infringement at the onset or the evidence is such that it is clear the patent is invalid.

D. The Ninth Circuit Has Limited Handgards to Antitrust Claims to Preserve and Protect State Rights

The holding in the *Handgards* case adopted by the CAFC (and still followed; *see Virginia Panel Corp. v. MAC Panel Co.*, 133 F.3d 860, 869 (Fed. Cir. 1997), *cert. denied*, 142

L. Ed. 2d 40 (1998)) involved an antitrust suit based on alleged bad faith prosecution of prior patent infringement suits in which the patent was adjudged invalid. A jury decided the antitrust claim against the patentee and awarded damages. On appeal the case was reversed by the Ninth Circuit and remanded for a new trial.

In *Handgards*, the court was called upon to consider instructions given to the jury that Ethicon, the patent holder, could be found guilty of an antitrust violation upon proof by a preponderance of the evidence. Recognizing what the court termed a complex interaction between two conflicting bodies of *federal* law, the court decided to create a barrier, "to antitrust suits . . . [by providing] reasonable protection for the honest patentee who brings an infringement action to protect his legal monopoly." 601 F.2d at 996. Having reached that conclusion, the court went on to hold:

> [5] A proper barrier is, in our opinion, suggested by *Walker Process*. It is that the jury should be instructed that a patentee's infringement suit is presumptively in good faith and that this presumption can be rebutted only by clear and convincing evidence. See *Cataphote Corp.*, *supra*, 450 F.2d at 772; *SSP Agricultural Equipment*, *supra*. Such an instruction accords the patentee a presumption commensurate with the statutory presumption of patent validity set forth in the patent laws, 35 U.S.C. § 282, which can only be rebutted by a showing of clear and convincing evidence (citations omitted).

But neither *Walker*; *Cataphote Corp. v. DeSoto Chemical Coatings, Inc.*, 450 F.2d 769 (9th Cir. 1971), nor *SSP Agricultural Equipment, Inc. v. Orchard-Rite, Ltd.*, 592 F.2d 1096 (9th Cir. 1979), hold or even hint that the patent holder should be favored with a presumption of good faith in filing an infringement suit and proof to the contrary required by clear and convincing evidence. In *Walker*, the

issue was whether or not fraud in obtaining a patent could give rise to an antitrust claim. There is no reference to the existence of a presumption that patent suits are filed in good faith and in fact, the court cites numerous cases concerning fraudulent procurement of patents — hardly suggestive that patentees are honest or act in good faith. *Cataphote* involved a Walker type claim for fraud and makes no reference to a good faith presumption. *SSP* is the same; the existence of or operation of a good faith presumption is not mentioned.

Whatever can be said for or against the reasoning in *Handgards*, nine years later the very same court in *U.S. Aluminum Corp./Texas v. Alumax, Inc.*, 831 F.2d 878 (9th Cir. 1987), *cert. denied*, 448 U.S. 822 (1988), limited the application of its holding in *Handgards* to antitrust claims and held the rule of *Handgards* inapplicable to state law claims against a patent holder. U.S. Aluminum sued Alumax for malicious prosecution following a previous unsuccessful patent infringement action brought by Alumax. The court of appeals explained:

> In the first lawsuit, Aluminum successfully defended a patent infringement action brought by Alumax's subsidiary Howmet Aluminum Corp. The district court awarded attorneys fees to Aluminum under section 285 of the federal patent law. 35 U.S.C. § 285. On appeal the Federal Circuit rejected appellant's contention that Alumax prosecuted that action in bad faith and reversed on the attorneys fees issue.
>
> Aluminum then brought the present action, a suit for malicious prosecution, against Alumax . . . the district court granted [a motion for summary judgment] on the ground that Aluminum was collaterally estopped from litigating a necessary element of its claim. . . .

After rejecting that argument the court then turned to its prior holding in *Handgards*, *supra*, and distinguished and limited its application stating:

> . . . Despite the surface appeal or that argument, we reject it. First, we do not find here the same kind of interrelationship that exists between the patent law and the antitrust laws. Patents confer a legal monopoly; the ground they occupy is necessarily carved out of that otherwise occupied by the antitrust laws. In areas where each law potentially extends, to broaden the coverage of one law necessarily interferes with the policies behind the other. . . .
>
> While we do not deny that conflict is possible between state malicious prosecution laws and federal patent laws, the policies underlying each are not inherently antiethical. Patents do not create an exemption from state malicious prosecution laws. Indeed, the balance we reached in *Handgards* between the rights of suing patentees and their defendants presupposed the continued existence of state law remedies for bad faith suits: (quotation omitted).

Thus, the court declined to extend the rule in *Handgards* to state law claims and *Aluminum*'s burden of proof under state law was to establish its case by a preponderance of evidence rather than the clear and convincing standard held applicable in treble damage antitrust claims. Applicable here, it was legal error for the district court to favor LRV with a presumption of good faith in York's state law claim and require York to prove its case by clear and convincing evidence. York's evidence in opposition to LRV's motion for summary judgment, giving York the benefit of all reasonable inferences as the court was bound to do, clearly made out a case upon which York could recover. LRV had two competent analysis that there was no infringement and its patent invalid

but what did it do — it filed suit and it never came forth with a competent pre-suit analysis of its own to justify its action.

Ironically, shortly before deciding *Loctite*, *supra*, the CAFC in *Machinery Corp. of America v. Gullfiber AB*, 774 F.2d 467 (Fed. Cir. 1985), considered an award of attorneys' fees under § 285 and rejected the argument of the patentee/appellants that patented holders were to be favored over accused infringers because of the presumption of patent validity, the court stating at 472:

> . . . we note, however, that no similar presumption attaches to an allegation of infringement and the appellants cannot hide behind the cloak of a presumption in this case solely involving infringement. See *Kaehni v. Diffraction Co.*, 342 F. Supp. 523, 535, 173 USPQ 705, 714 (D. Md. 1972) *aff'd mem.*, 473 F.2d 908, 178 USPQ 321 (4th Cir.), *cert. denied*, 414 U.S. 854, 94 S. Ct. 151, 38 L.Ed.2d 103 (1973).

However, *Loctite* gives that very presumption to patent holders when filing suit for infringement — a cloak to hide behind!

E. Cases Since Loctite

Since *Loctite*, the CAFC has discussed the rights of a patent holder in a number of cases without referring to the holding in the *U.S. Aluminum* case, *supra*, its statement in *Machinery Corp.*, *supra*, or departing from the principles established in its *Loctite* decision. In *C.R. Bard, Inc. v. M3 Systems, Inc.*, 157 F.3d 1340 at 1369 (Fed. Cir. 1998), *reh'g denied*, 161 F.3d 1380, *cert. denied*, 143 L. Ed. 2d 1008 (1998), the court reversed a successful antitrust law counterclaim. The court cited *Professional Real Estate Investors, Inc. v. Columbia Indus. Inc.*, *supra* ("*PRE*"), reiterated the principles adopted in *Loctite*, but failed to recognize in *PRE* the duty imposed on the owner of the right that is implicit:

> Neither the bringing of an unsuccessful suit to enforce patent rights, nor the effort to enforce a patent that falls to invalidity, subjects the suit to antitrust liability. Cf. *Concrete Unltd. Inc. v. Cementcraft, Inc.*, 776 F.2d 1537, 1539, 227 USPQ 784, 785 (Fed. Cir. 1985) (no liability for unfair competition based on suit to enforce an invalid patent). Since a principal purpose of the patent system is to provide innovators with a property right upon which investment and other commercial commitments can be made, absent the *PRE* criteria, the patentee must have the right of enforcement of a duly granted patent, unencumbered by punitive consequences should the patent's validity or infringement not survive litigation. *See Id.* **The law recognizes a presumption that the assertion of a duly granted patent is made in good faith**. *See Virtue v. Creamery Package Mfg. Co.*, 227 U.S. 8, 37-38 (1913); **this presumption is overcome only by affirmative evidence of bad faith**. *See PRE, supra*. (Emphasis supplied.)

The *Concrete* case identified above involved an appeal by the patent holder from an award against it for unfair competition. The court of appeals reversed without citation of authority or giving a reason except to state:

> Concrete Unlimited's actions in this case were not unfair competition, and we reverse the district court's holding to the contrary.

Just as neither *Walker*; *Cataphote* nor *SSP* authorized a good faith presumption for infringement filings, neither did *Virtue*, also cited above. That case involved a suit for violation of antitrust laws in connection with selling patented products. The decision, however, makes little reference to patent law and none whatsoever to a presumption of good faith at pages 37-38 as cited. Nor can a legal presumption be fairly

inferred from the court's opinion at those pages or elsewhere. This court, after a lengthy discussion of facts, simply concluded that the patent holders committed no wrong in filing suit.

York does not disagree with the conclusion in *Virtue*, but what if the charge of infringement is baseless under the *PRE* test and the conduct of the patent holder causes damage to an innocent party? Should the patent holder be given what amounts to a release from liability for his/her negligent disregard of the rights of others? The presumption favoring the patent holder created by the CAFC in *Loctite* is not supported by decisions of this court or the statement in *Machinery Corp.* and further, the presumption of patent validity relied upon in *Handgards* provides no real support as the CAFC recognized in the *Machinery Corp.* case, *supra.* The presumption of validity is based on the fact that an application for a patent is subject to examination by an administrative agency with experts in the subject matter before the patent is granted. There is no comparable examination of possible infringement by the PTO or any independent agency to justify a presumption of good faith or to increase the innocent victim's burden of proof. Finally, nine years later, the *Handgards* court excluded application of the presumption from claims arising under state law because it recognized that state law does not intrude on patent law. York submits the patent grant itself is a sufficient reward for inventors and they should not be granted the additional reward of a good faith presumption in alleging infringement and protected by an enhanced standard of proof imposed on innocent victims of their accusations.

F. A Clear Principle Is Needed That Only This Court Can Provide

In patent cases it is an all too common practice that after a patent is granted the patent holder will attempt to broaden the scope of the claims beyond what was granted by the PTO (or to regain what was given up). The statement in *Mercoid*,

". . . [that] the limits of the patent are narrowly and strictly confined to the precise terms of the grant" is ignored. Patent holders want broader coverage so that a competitor may be enjoined even though the competitor's product is clearly outside the scope of the patent claims and, as in this case, may be the subject of a patent. *Markman v. Westview Industries, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (en banc), *aff'd*, 517 U.S. 370, 116 S. Ct. 1384, 134 L. Ed. 2d 577 (1996) reviewing whether or not interpretation of claim language is a legal issue or for the jury illustrates one means by which a patent holder may attempt to avoid the plain meaning of words. ("The district court exercised its discretion in finding unhelpful Markman's testimony that he meant 'inventory,' or that one of ordinary skill in the art would understand 'inventory,' to mean something to the contrary . . . ." 52 F.3d at 983.)

Here, even after *Markman*, LRV attempted to broaden its claims of invention by means of "expert testimony" offered under the guise of "one skilled in the art" akin to expert "junk science" testimony. York objected, contending no testimony was required to interpret the claims; the patent, though defective, is readily understood. The expert gave testimony to support the patent holder's theory of claim construction and infringement. LRV's expert opined that York's fastener created a downward force because the bedliner did not move upward after it was installed; there was no difference between V-shaped and C-shaped and it did not make any difference that York's fastener completely bypassed the end of the flange or lip! While both the district court and court of appeals undoubtedly recognized the testimony as preposterous, it should be noted that innocent victims of baseless charges must incur the cost and expense to defend against such evidence or for economic reasons, submit to an injunction or accept a license and pay royalties on a patent clearly not infringed and/or invalid. (LRV contended it sustained damages of ten dollars for each bedliner York sold.) When that happens, the public interest

in removing invalid patents from the patent rolls is clearly defeated, competition stifled and the patent grant abused as this court observed in the *Cardinal* case, *supra*.

The CAFC has recognized that state law remedies exist,[13] but by crafting a presumption and upping the standard of proof it has created a protective barrier that clearly favors patent holders. As pointed out by Mr. Beem in his article at page 87:

> [T]hree of the leading Federal Circuit cases on unfair competition laws as it relates to bad faith patent litigation are unpublished, unprecedential and under Federal Circuit rules, uncitable opinions.

In one of the unpublished decisions, *Mirafi, Inc. v. Murphy*, 90-1074, 1991, U.S. App. LEXIS 1636, 18 USPQ2d 1087 (Fed. Cir. 1991), reversing a district court's judgment finding of unfair competition, the court stated, "a patentee's need to enforce his patent in court overrides unfair competition interests." In another unpublished decision, *Manildra Milling Corp. v. Ogilvie Mills, Inc.*, Appeal No. 92-1462, 1993 U.S. App. LEXIS 16230, 30 USPQ2d 1012 (Fed. Cir. 1993) *corrected, on reh'g. in part, reh'g. denied, in part*, 1993 U.S. App. LEXIS 29886 (Fed. Cir. Sept. 20, 1993), reversed an award for $4,750,000. The court stated that it would "leave for another day" resolution of any tension between the patent laws and the law of unfair competition. But, when will that day come?

Whether or not a charge of infringement is justified should be judged objectively on its own particular facts unburdened by presumptions that favor the patentee and the test established in *PRE* adopted for patent cases. Patent infringement cases involve technical or scientific subject

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13. *See Dow Chemical Co. v. Exxon Corp.*, *supra* ("a state has every right to protect its citizens and residents [against] wrongful interference").

matter that can and should be analyzed on a purely objective basis and competent analysis should be required before infringement is alleged or suit filed. Suit should not be brought unless there is evidence that on the merits a reasonable person would conclude that more likely than not the suit will succeed — the first test in *PRE*.

Patent ownership should not itself give rise to a presumption that the patent holder is either honest or acting in good faith. History negates any basis for such presumption.

CONCLUSION

For all of the above reasons petitioner respectfully requests that a writ of certiorari be issued.

Respectfully submitted,

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APPENDIX

APPENDIX A — OPINION AND JUDGMENT OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DATED AND DECIDED JULY 12, 1999

United States Court of Appeals
for the Federal Circuit

98-1454, -1455

McCLARIN PLASTICS, INC. and
YORK PRODUCTS, INC.,

Plaintiffs-Appellants,

v.

LRV ACQUISITION CORPORATION,

Defendant-Cross Appellant.

DECIDED: July 12, 1999.

Before RICH,* *Circuit Judge*, SKELTON, *Senior Circuit Judge*, and BRYSON, *Circuit Judge*.

BRYSON, *Circuit Judge*.

LRV Acquisition Corp. is the owner of U.S. Patent No. 5,046,775, which is directed to fasteners for securing protective liners to the cargo beds of pickup trucks. LRV

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* Circuit Judge Rich heard oral argument in this case, but died on June 9, 1999. This case was decided by the remaining judges in accordance with Fed. Cir. Rule 47.11.

brought an infringement action against York Products, Inc., and York filed a counterclaim for unfair competition. While that action was pending, McClarin Plastics, Inc., filed a declaratory judgment action against LRV, seeking a declaration that McClarin did not infringe the '775 patent or, in the alternative, that certain claims of the '775 patent are invalid. The two suits were consolidated, with York and McClarin aligned as plaintiffs and LRV as defendant.

York and McClarin moved for summary judgment that they did not infringe the asserted claims of the '775 patent and that those claims are invalid. LRV moved for summary judgment on York's unfair competition claim. The district court granted York and McClarin's motion with respect to the issue of noninfringement, but denied their motion with respect to invalidity. The district court granted LRV's motion for summary judgment on York's unfair competition claim. Following the grant of summary judgment of noninfringement, York moved for attorney fees under 35 U.S.C. § 285, but the district court denied that motion.

York and McClarin raise four issues on appeal: they argue that the district court erred by granting summary judgment to LRV on York's unfair competition claim, by denying their motion for summary judgment of invalidity, by denying York's motion for attorney fees, and by failing to recognize the existence of a privilege between patent agents and their clients. LRV cross-appeals from the summary judgment that the accused fasteners do not infringe claims 1 and 31 of the '775 patent, either literally or under the doctrine of equivalents. We *affirm* the district court's judgment in all respects.

Appendix A

I. Literal Infringement

LRV contends that the court erred by holding, on summary judgment, that the accused fastener infringes independent claims 1 and 31 of the '775 patent. Claim 31 recites a combination consisting of (1) a truck cargo bed with side walls terminating in an upper edge having a substantially vertical flange, (2) a protective liner fitted to the truck bed, and (3) a fastener for securing the protective liner to the flange of the truck cargo bed. The fastener comprises a base plate for engagement with the surface of the liner and a locking tongue that is attached to the base plate and serves to clamp the liner to the truck bed and secure it over the flange. Claim 1 simply recites the fastener of claim 31 in more general terms. Material to the question of infringement is the following language that appears in both claims 1 and 31:

> said cam surface [of the fastener] being of arcuate configuration and operable to slide over said panel [*i.e.*, the truck bed liner] upon insertion of said fastener . . . to effect a mechanical leveraging of said tongue and causing said clamping surface to bear against said flange thereby providing both downward and horizontal locking forces to said panel relative to said supporting element [*i.e.*, the truck bed].

During prosecution of the '775 patent, the examiner rejected application claims 1 and 27. Application claim 1 was rejected under 35 U.S.C. § 102 as anticipated by either French patent No. 1576385 or a United States patent to

Raymond, and application claim 27 was rejected under 35 U.S.C. § 103 as unpatentable over a United States patent to Edwards in view of the Raymond reference.

Application claims 1 and 27 were canceled and rewritten as application claims 31 and 32 in order to overcome the examiner's rejections. Neither application claim 1 nor application claim 27 contained the above-quoted language from issued claims 1 and 31, but that language did appear in both rewritten application claims 31 and 32, which eventually issued as claims 1 and 31. In addition to rewriting application claims 1 and 27, the applicant submitted the following commentary regarding the significance of the Raymond and French references:

> Neither the Raymond nor the French reference teaches or suggests the provision of a fastener having a locking tongue comprising . . . a cam surface. Moreover, the arcuate configuration of the cam surface being operable to slide over the panel upon insertion of the fastener as required in the claims is lacking in the prior art. Consequently, the mechanical leveraging which causes the clamping surface to bear against the flange to provide both downward and horizontal locking forces is neither taught nor suggested by the prior references.

Both rewritten application claims 31 and 32 and the applicant's argument reflect that the applicant distinguished his invention from the prior art on the ground that his invention, unlike prior art fasteners, employs a clamping

surface that bears against the flange in a way that produces both downward and horizontal locking forces. Further evidence that the applicant purposely drew that distinction is found in the applicant's information disclosure statement, in which the applicant disclosed U.S. Patent No. 4,595,229 (the '229 patent). The applicant explained that the '229 patent discloses "a C-type clamp" that does not "effect pull-down of liner against truck rail."

The prosecution history of the '775 patent establishes that claims 1 and 31 are properly construed to cover only fasteners that provide downward locking forces, notwithstanding that in claims 1 and 31 "providing both downward and horizontal locking forces" appears in a "thereby" clause. The normal rule is that a "whereby" or "thereby" clause that "merely states the result of the limitations" in a claim does not limit the scope of the claim. *See, e.g., Texas Instruments, Inc.* v. *United States Int'l Trade Comm'n*, 988 F.2d 1165, 1172 (Fed. Cir. 1993). The "thereby" clauses of claims 1 and 31 do more than merely state the result of the claims' structural limitations, however — they serve to specify critical properties of the clamping surfaces of fasteners that fall within the scope of the claims. As the applicant unmistakably indicated during the prosecution of the '775 patent, only fasteners having clamping surfaces that effect downward locking forces are within the scope of claims 1 and 31.

Because the clamping surface of the accused fastener does not provide a downward locking force, the district court held that it is not within the literal scope of claims 1 and 31. The only downward force that the clamping surface of the

accused fastener is capable of generating is precisely the sort of downward force that the cited prior art fasteners are capable of providing: the clamping surface of the accused device will resist, to a certain degree, upward movement, because of the friction between the clamping surface and the flange. That type of force is not the "downward locking force" required by claims 1 and 31. It is, however, exactly the sort of downward force produced by the clamping surface disclosed in the '229 patent, which the applicant described as not "pull[ing] down [the] liner against [the] truck rail." In light of the prosecution history, we uphold the trial court's conclusion that claims 1 and 31 require a downward force that locks the liner into the cargo bed; a fastener such as the accused device, which generates downward force only to the extent of resisting upward movement, is therefore outside the literal scope of the claims.

II. Infringement under the Doctrine of Equivalents

The prosecution history discussed above estops LRV from claiming that the accused fastener is insubstantially different from the fastener recited in claims 1 and 31. The district court therefore correctly rejected LRV's claim that the accused fastener infringes the '775 patent under the doctrine of equivalents. During the prosecution of the '775 patent, as we have noted, the applicant made an unmistakable disclaimer of subject matter upon which the public is entitled to rely. In particular, the applicant disclaimed coverage of fasteners with clamping surfaces that, like the clamping surfaces of the accused fasteners, do not generate downward locking forces. Prosecution history estoppel therefore limits the scope of the doctrine of equivalents so as to bar any claim

of infringement with respect to fasteners, such as the accused fasteners, that lack clamping surfaces generating downward locking forces.

III. Invalidity

After the district court denied McClarin and York's motion for summary judgment that claims 1 and 31 of the '775 patent are invalid, LRV sought summary judgment in its favor on the invalidity issue. McClarin and York contested LRV's motion on justiciability grounds, arguing (1) that York had raised invalidity only as an affirmative defense and that the court's infringement ruling obviated the need for a ruling on that affirmative defense, and (2) that after the court's infringement ruling, McClarin no longer had standing to pursue a declaration that the '775 patent is invalid. The district court agreed with York and McClarin and dismissed both McClarin's request for a declaratory judgment that the claims of the '775 patent are invalid and LRV's motion for summary judgment on that issue.

York and McClarin argue on appeal that the district court improperly denied their motion for summary judgment that claims 1 and 31 of the '775 patent are invalid. It is well established, however, that we do not have jurisdiction to review orders denying motions for summary judgment. *See, e.g., Parker Bros.* v. *Tuxedo Monopoly, Inc.*, 757 F.2d 254, 255 (Fed. Cir. 1985). Had the district court granted LRV's motion for summary judgment on the invalidity issue, we would have had jurisdiction to consider an appeal from that judgment. There is no such judgment, however, because the district court dismissed LRV's motion for summary

judgment on McClarin's invalidity claim. The court took that action without objection from York and McClarin, and in fact at their urging. We therefore do not consider the arguments of York and McClarin that claims 1 and 31 of the '775 patent are invalid.

IV. Unfair Competition

The district court granted LRV's motion for summary judgment on York's claim of unfair competition. York's theory, in essence, is that LRV filed a baseless and frivolous action for patent infringement and that York should be compensated for the costs it incurred in defending against that action. Under controlling state law, a necessary element of York's claim is interference with or harm to contractual or prospective contractual relationships. As the district court noted, York has presented no evidence material to that element of its unfair competition claim. Accordingly, the district court properly granted summary judgment for LRV on York's unfair competition claim.

V. Attorney Fees

York seeks attorney fees under 35 U.S.C. § 285, which empowers the court to award attorney fees in exceptional cases arising under the patent laws. The district court decided that this was not an exceptional case. We review that finding for clear error. *See, e.g., L.A. Gear, Inc.* v. *Thom McAn Shoe Co.*, 988 F.2d 1117, 1128 (Fed. Cir. 1993).

The district court did not commit clear error in determining that this is not an exceptional case. A case is

exceptional within the meaning of section 285 if a patentee intentionally, recklessly, or with gross negligence filed and prosecuted a baseless infringement action. *See, e.g., Machinery Corp. of Am.* v. *Gullfiber AB*, 774 F.2d 467, 473 (Fed. Cir. 1985). Of course, gross negligence in filing and prosecuting the infringement action is not established simply because LRV lost on the merits. LRV acted pursuant to the opinion of a licensed patent attorney that the accused fastener infringed the asserted claims of the '775 patent, and the district court found that LRV "plainly believed that the '775 patent claims in issue were broad enough to cover the accused fastener." On the merits, LRV's infringement claim, although ultimately unsuccessful, was not frivolous. The district court was therefore justified in denying York's request for attorney fees under section 285.

VI. Privilege

York asks this court to recognize, for the first time, the existence of a privilege between patent agents and their clients. We decline to consider that question, because York has failed to demonstrate that the district court's failure to recognize such a privilege constituted reversible error, *i.e.*, even assuming that such a privilege does exist, York has not established that the district court's failure to recognize it was harmful. Indeed, it is not clear how York's claim of privilege even relates to any aspect of the judgment that was unfavorable to York. That issue is therefore not properly before us for decision in this case.

Appendix A

United States Court of Appeals
for the Federal Circuit

98-1454, -1455

McCLARIN PLASTICS, INC. and
YORK PRODUCTS, INC.,

Plaintiffs-Appellants,

v.

LRV ACQUISITION CORPORATION,

Defendant-Cross Appellant.

JUDGMENT

Appeals from the United States District Court for the Middle District of Pennsylvania in 93-CV-442, Judge Thomas I. Vanaskie.

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

AFFIRMED

ENTERED BY ORDER OF
THE COURT

s/ Jan Horbaly
Jan Horbaly, Clerk

DATED: JUL 12, 1999

ISSUED AS A MANDATE: AUGUST 11, 1999

APPENDIX B — MEMORANDUM AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF PENNSYLVANIA DATED MARCH 4, 1998 AND FILED MARCH 5, 1998

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

3:CV-93-0442
(JUDGE VANASKIE)

McCLARIN PLASTICS, INC., and
YORK PRODUCTS, INC.,

Plaintiffs

v.

LRV ACQUISITION CORPORATION

Defendant

MEMORANDUM

This protracted litigation began as an action for patent infringement by LRV Acquisition Corporation ("LRV") against York Products, Inc. ("York"). LRV has moved for summary judgment on York's counterclaims for unfair competition, trade disparagement, and tortious interference with existing and prospective business relationships. These claims, according to York, are "based on bad faith litigation [by LRV] for suing on a patent that is not infringed and is invalid which LRV chooses to ignore." (Response to LRV's Summary Judgment Motion (Dkt. Entry 136) at 2.) Because

York has failed to present evidence sufficient to permit a rational trier of fact to conclude that LRV acted in bad faith in suing York for infringement and defending the validity of its patent, LRV's summary judgment motion will be granted.

BACKGROUND[1]

LRV is the owner by assignment of United States Patent No. 5,046,775 (the '775 Patent), issued by the Patent and Trademark Office ("PTO") on September 10, 1991. The subject of the '775 Patent is a fastening device for use in combination with sheet form panels and bedliners for the cargo bodies of pickup trucks. The fastener claimed by the '775 Patent is intended to be inserted through an aperture in the bedliner to secure the bedliner to the cargo bed of the pickup truck without the necessity of drilling holes in the cargo bed sidewalls. A reexamination certificate was issued for the '775 Patent on December 14, 1993.[2]

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1. Accompanying LRV's Summary Judgment Motion was a statement of undisputed material facts, as required by Local Rule of Court 56.1. York's response to this statement addresses only five of the 30 separately-numbered paragraphs. In accordance with Local Rule 56.1, the 25 paragraphs to which no response was asserted will be accepted as true for purposes of the summary judgment motion. In setting forth the background for this decision on LRV's Summary Judgment Motion, I have also drawn from the opinion filed in this matter on February 25, 1998, granting summary judgment in favor of York on the infringement issue, but denying York's summary judgment motion on its challenge to the validity of LRV's patent.

2. The invention in question and the history of the prosecution of the '775 Patent are set forth more fully in the Memorandum opinion filed in this matter on February 25, 1998.

Appendix B

York is a Pennsylvania corporation having its principal place of business in Hanover, Pennsylvania. York sells pickup truck bedliners that are manufactured by McClarin Plastics, Inc.[3] York supplies a fastener with some of the bedliners that it sells. York secured a patent for these fasteners on September 29, 1992, Patent No. 5,150,940 (the '940 Patent). The fasteners are made by McClarin. LRV has contended that the McClarin-made fasteners supplied by York with various bed liners infringe the '775 Patent.[4]

Prior to the commencement of this litigation, LRV gave written notice to York that LRV believed that York's fastener infringed the '775 Patent. York, through its counsel, consulted with Atty. E. Wallace Breisch with respect to the infringement accusation. In a letter dated May 11, 1992, Atty. Breisch opined that the specification and claims in issue in the '775 Patent failed to comply with 35 U.S.C. § 112. Generally, Breisch found that the specification of the '775 Patent did not sufficiently disclose the invention to enable

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3. McClarin Plastics is also a party to this litigation. While there are factual disputes as to the nature of the relationship between York and McClarin, those disputes are not material to the issues presented on LRV's Summary Judgment Motion.

4. LRV unsuccessfully sought reexamination of the '940 Patent covering the York fastener. One of the grounds on which reexamination had been sought was that the York fastener was covered by the '775 Patent. The PTO rejected this assertion and issued a reexamination certificate on March 29, 1994. (Copies of the '940 Patent, LRV's reexamination request, and the re-examination certificate are attached as Exhibits 1 through 3 to the Motion for Summary Judgment filed on behalf of McClarin Plastics and York on June 17, 1996 (Dkt. Entry 145).

one skilled in the relevant art to practice it; that the language in the '775 Patent claims was not sufficient to particularly point out and distinctly claim the subject matter which LRV regarded as its invention; and that the fasteners claimed by the '775 Patent were not operable. Atty. Breisch also opined that, in any event, the York fastener did not infringe the '775 Patent.[5] A copy of Atty. Breisch's letter was sent to LRV in July of 1992.

Undeterred by Atty. Breisch's analysis, LRV brought suit against York in the United States District Court for the Southern District of Ohio on August 14, 1992. York filed a counterclaim, which it titled "COUNTERCLAIM FOR UNFAIR COMPETITION . . . .[6] In ¶ 4 of its counterclaim, York asserted:

> Prior to filing the Complaint LRV . . . [was] on actual and/or constructive notice that York's Clip-Lok fastener did not infringe the '775 Patent and further, that the '775 Patent was obtained without complying with the requirements of 35 USC § 112.

In ¶ 6, of its counterclaim, York alleged:

> Without privilege to do so, officers, agents or employees of LRV . . . have intentionally

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5. A copy of Atty. Breisch's letter is attached as Exhibit "B" to York's Response to LRV's Summary Judgment Motion.

6. A copy of the counterclaim is attached as Exhibit "A" to York's Response to LRV's Summary Judgment Motion.

> disparaged the good name and reputation of York . . . with York's distributors by tortiously interfering with York's existing business relationships to discourage or prevent sales to consumers of York products.[7]

During the course of discovery LRV inquired of York as to the bases for its counterclaim. Both in responses to written interrogatories and through the testimony of a corporate designee, York indicated that its counterclaim was based upon (a) a conversation between LRV's general manager, Kenneth Leffel, and James Hillyer, an employee of a leading bedliner manufacturer and potential customer of York, in the fall of 1992, during which Mr. Leffel expressed his opinion that LRV would make an example of York and show it "that nobody was going to be able to infringe on that patent." (Leffel Dep. at 30, attached at Tab 13 to the Appendix of Exhibits in support of LRV's Summary Judgment Motion (Dkt. Entry 124)); (b) the issuance of a press release in connection with the commencement of the patent infringement suit against York; and (c) inquiries

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7. York named several parties as defendants to its counterclaim, but served only LRV. On March 29, 1993, McClarin Plastics filed an action in this Court, seeking a declaratory judgment that the LRV patent claims in issue were invalid or, alternatively, that it had not infringed those claims. McClarin Plastics, however, did not assert a claim for unfair competition. Eventually, the action filed in the Southern District of Ohio was transferred to this Court and consolidated with the action filed by McClarin Plastics. In responding to an amended complaint filed by LRV in the Southern District of Ohio that added McClarin as a defendant to the patent infringement cause of action, McClarin Plastics did not assert a counterclaim.

purportedly made to York about whether it was "doing something wrong — apparently having been told so by [LRV] representatives . . ." when LRV should have known that York had not infringed its patent. (York's response to LRV's Interrogatory # 5, a copy of which is included in the Appendix to LRV's Summary Judgment Motion at Tab 5.)[8]

In its response to paragraph 13 of the LRV statement of undisputed facts, York asserts that the "basis for its claim is bad faith in alleging infringement and other conduct as set forth in the answers to interrogatories and explained in its response brief and exhibits annexed thereto." York's opposition brief specifically refers to the Breisch opinion letter of May 11, 1992; the deposition testimony and declaration of Atty. Robert Stebens, who was responsible for submitting the application for the '775 Patent on behalf of LRV, but who was removed as the prosecuting attorney shortly after its submission; testimony of Atty. Robert Patch and Patent Agent Clifford Poff, who were involved in the prosecution of the '940 Patent on behalf of York; evidence that a model used by LRV in a meeting with the PTO Examiner after the original application for the '775 patent had been rejected was misleading; LRV's failure to secure advice from "an independent patent attorney" prior to commencing suit; and the public dissemination of the infringement suit by LRV's national sales manager despite

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8. York had also complained that LRV's national sales manager, Tracy Heater, had disparaged York in an attempt to convince Kenneth Thompson, the president of a customer of York, to switch to LRV. Thompson's deposition testimony failed to confirm this assertion. (Pertinent excerpts of Mr. Thompson's deposition testimony are included at Tab 11 to the Appendix in support of LRV's Summary Judgment Motion).

the fact that she did not compare the LRV fastener with the accused device.

In response to LRV's inquiries as to damages alleged to have been sustained as a result of the causes of action set forth in its counterclaim, York stated that it was seeking recovery of "[t]he cost and charges for this suit, the cost and charges for appropriate advertising following the conclusion of the suit and the value of the time devoted by Todd Kennedy [York's President] to defending baseless charges of infringement made for improper purposes." (Answer to LRV Interrogatory # 17 included under Tab 14 of the Appendix of Exhibits filed in support of LRV's Summary Judgment Motion.) Significantly, York has produced no evidence of the loss of any customer or sale as a result of the alleged unfair competition, trade disparagement or tortious interference with business relationships. (LRV Statement of Undisputed Facts (Dkt. Entry 123) at ¶ 30 and York's response thereto.)[9]

After LRV moved for summary judgment on York's counterclaim, York moved for summary judgment for the third time on the infringement and patent validity issues.[10]

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9. In its response to Paragraph 30 of the LRV statement of undisputed facts, York contended that the costs it has incurred in connection with this litigation "has adversely affected York's ability to compete in the marketplace . . . ." York, however, has not submitted any evidence to quantify the purported adverse impact on its competitive efforts.

10. The procedural history of this case is more fully set out in the opinion filed in this matter on February 25, 1998, familiarity with which is assumed.

Appendix B

An evidentiary hearing was conducted for purposes of construing the patent claims at issue in this litigation.[11] Following the *Markman* hearing, LRV moved for summary judgment on the infringement issue, but not on the validity question. In a comprehensive opinion filed on February 25, 1998, I construed the patent claims in issue and determined that York and McClarin Plastics were entitled to a decree that the accused device did not infringe the claims of the '775 Patent in issue. I also ruled that York and McClarin Plastics were *not* entitled to summary judgment on the validity question.[12] It is in this context that LRV's summary judgment motion on the York counterclaim must now be decided.

DISCUSSION

Summary judgment should be granted when the "pleadings, depositions, answers to interrogatories, and

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11. In *Markman v. Westview Instruments, Inc.*, 116 S.Ct. 1384 (1996), the Court ruled that it is the responsibility of the trial court to determine the scope of patent claims, and that, if necessary, the trial court should conduct an evidentiary hearing for purposes of receiving evidence extrinsic to the patent and its prosecution history for purposes of construing the claims in issue. The hearing in this matter was conducted in accordance with *Markman* and over York's vigorous objection.

12. In denying summary judgment as to the validity of the '775 Patent, I noted that I was "inclined to hold that no reasonable juror could find the LRV patent claims invalid on the grounds advanced by York," but declined to grant summary judgment in favor of LRV in view of the fact that it had not filed for summary judgment on the validity question. (February 25, 1998 Memorandum (Dkt. Entry 203) at 49 n.24.)

admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material facts and . . . the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c). A fact is "material" if proof of its existence or non-existence might affect the outcome of the suit under the applicable law. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986); *Charlton v. Paramus Bd. of Educ.*, 25 F. 3d 194, 197 (3d Cir.), *cert. denied*, 513 U.S. 1022 (1994).

"Summary judgment will not lie if the dispute about a material fact is 'genuine,' that is, if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Anderson*, 477 U.S. at 248. Accordingly, Rule 56 requires the entry of summary judgment, after adequate time for discovery, where a party "fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986).

Initially, the moving party must show the absence of a genuine issue concerning any material fact. *Celotex*, 477 U.S. at 329. All doubts as to the existence of a genuine issue of a material fact must be resolved in favor of the nonmoving party. *White v. Westinghouse Elec. Co.*, 862 F.2d 56, 59 (3d Cir. 1988); *Continental Ins. Co. v. Bodie*, 682 F.2d 436 (3d Cir. 1982). Once the moving party has satisfied its burden, the nonmoving party "must present affirmative evidence to defeat a properly supported motion for summary judgment." *Anderson*, 477 U.S. at 256-57. The affirmative evidence must be more than conclusory allegations or

denials. Where, as here, the moving party has suggested the absence of evidence to support a claim on which the nonmoving party has the burden of proof, the nonmoving party must point to competent evidence that would permit a trier-of-fact to rule in its favor. *Schoch v. First Fidelity Bancorporation*, 912 F.2d 654, 657 (3d Cir. 1990). Because York bears the burden of persuasion on its counterclaim, LRV is entitled to summary judgment if the evidence, viewed in the light most favorable to York, is insufficient to enable a rational trier-of-fact to impose liability on LRV on any of the claims asserted in York's counterclaim. *Id.*

In its brief in opposition to LRV's summary judgment motion, York has explicitly articulated as the basis for its counterclaim LRV's purported "bad faith litigation for suing on a patent that is not infringed and is invalid . . . ." (Dkt. Entry 136 at 2.) Pursuit of patent infringement litigation in bad faith with attendant efforts to publicize the litigation for the purpose of harming the alleged infringer has been regarded as actionable "unfair competition." *See e.g.*, *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 709-10 (Fed. Cir. 1992); *Elkhart Brass Mfg. Co. v. Task Force Tips, Inc.*, 867 F. Supp. 782, 788 (N.D. Ind. 1994). Such conduct is viewed as falling within the recognized torts of interference with existing and prospective contractual relationships. *See Coal Processing Equip., Inc. v. Campbell*, 578 F. Supp. 445, 463-64 (S.D. Ohio 1981).

Pennsylvania has expressly adopted the tests set forth in the Restatement (Second) of Torts for intentional interference with the performance of a contract by a third

person. *See Adler, Barish, Daniels, Levin & Creskoff v. Epstein*, 482 Pa. 416, 431, 393 A.2d 1175 (1978), *cert. denied*, 442 U.S. 907 (1979). Section 766 of the *Restatement (Second) of Torts* provides:

> One who intentionally and improperly interferes with the performance of a contract (except a contract to marry) between another and a third person by inducing or otherwise causing the third person not to perform the contract, is subject to liability to the other for the pecuniary loss resulting to the other from the failure of the third person to perform the contract.

Pennsylvania also recognizes as actionable the wrongful interference with prospective business relations. *See, e.g., Thompson Coal Co. v. Pike Coal Co.*, 488 Pa. 198, 208, 412 A.2d 466, 471 (1979). "The elements of this tort are: (1) a prospective contractual relation; (2) intent to harm the plaintiff by preventing the relation from occurring; (3) absence of privilege or justification on the defendant's part; and (4) resulting damage." *Schulman v. J.P. Morgan Inv. Management, Inc.*, 35 F.3d 799, 808 n.16 (3d Cir. 1994).[13]

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13. The Restatement (Second) of Torts version of the tort of interference with prospective contractual relations looks to whether the defendant's conduct was "proper," whereas the Pennsylvania courts have continued to use the rubric of the original Restatement of Torts, which examined whether the alleged interference was "privileged" or "justified." *See University Graphics, Inc. v. Pro-Image Corp.*, 913 F. Supp. 338, 345 n.10 (M.D. Pa. 1996).

In this case, York has not identified any existing or prospective customer that was lost as a result of LRV's infringement suit and the accompanying publicity. While contending that scarce resources that would have been used to enhance its competitive position have been diverted to this litigation, York has not presented any evidence to quantify the alleged adverse impact on the development of its business. Instead, York seeks to recover the litigation expenses incurred in this matter under the aegis of an unfair competition claim.

In this regard, York's position resembles more a claim for attorneys' fees under 35 U.S.C. § 285 than a claim for unfair competition.[14] Indeed, *Machinery Corp. of Am. v. Gullfiber AL* 774 F.2d 467 (Fed. Cir. 1985), cited by York as "illustrating the type of bad faith on the part of the patentee for which relief will be granted," (York Response Br. (Dkt. Entry 136) at 3), concerned *only* a request for counsel fees under 35 U.S.C. § 285. Other cases cited by York that arose in the context of intellectual property litigation have been concerned with the disruption of commercial relationships — the focus of the torts of wrongful interference with existing and prospective contractual relationships — and have not addressed recovery of counsel fees under the tort of unfair competition. Indeed, none of the cases cited by York held that litigation expenses constitute the requisite "actual damage" resulting from the claimed interference with

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14. Section 285 provides:

> The court in exceptional cases [involving claims of patent infringement or patent validity] may award reasonable attorney fees to the prevailing party.

business relations based on purportedly sham litigation.[15] It thus appears that summary judgment could be entered in favor of LRV on the ground that there is no evidence to support a conclusion that LRV's alleged "unfair competition" caused York to suffer any compensable damage.[16]

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15. Significantly, *Coal Processing Equipment*, cited at page 4 of York's response to LRV's Summary Judgment Motion, separately addressed a claim of unfair competition under Ohio common law and a request for attorneys' fees under 35 U.S.C. § 285. 578 F.Supp. at 463-67. While finding that the publicizing of a meritless patent infringement action caused a substantial disruption in the plaintiff's business, the court did not suggest that expenses incurred in the patent infringement action would be a compensable element of damages for unfair competition. The fact that the court addressed separately the request for counsel fees under 35 U.S.C. § 285 indicates that litigation costs would not be the type of harm that may be redressed in an unfair competition action.

16. There are other causes of action that may support a claim to recover litigation expenses. For example, Pennsylvania, by statute, authorizes an action to recover litigation expenses and other damages caused by the wrongful use of civil proceedings, including the pursuit of an action "in a grossly negligent manner or without probable cause and primarily for a purpose other than . . . adjudication of the claim [on] which the proceedings are based." 42 Pa. C.S.A. § 8351(a)(1). York is essentially making a claim to this effect in this litigation. But before such a claim may be brought under Pennsylvania law, the proceedings alleged to have been commenced wrongfully must have terminated in favor of the person seeking recovery of litigation expenses and other damages. *Id.* In other words, a cause of action under 42 Pa. C.S.A. § 8351 may not be asserted as a counterclaim in the cases that is alleged to have been brought in bad faith. *See Zappala v. Hub Foods, Inc.*, 683 F. Supp. 127, 130-131 (W.D. Pa. 1988).

Assuming, however, that expenses incurred in defending against a patent infringement lawsuit may be compensable in an unfair competition counterclaim against the patentee based upon the contention that the infringement action was brought in bad faith, LRV is entitled to summary judgment. Succinctly stated, York has failed to present evidence that would support a conclusion that LRV's pursuit of its patent infringement claims was improper, unjustified, or not privileged.

The *Restatement (Second) of Torts* lists a number of factors to be taken into account in determining whether interference with another's business relations may support recovery of damages proximately caused thereby.[17] Among the factors to consider are the nature of the defendant's conduct, the defendant's motive, the interests of the plaintiff, the interests sought to be advanced by the defendant, the social interests in protecting the defendant's freedom of action, and the relations between the parties. *See Restatement (Second) of Torts* § 767. In the context of ascertaining whether a particular interference with a prospective business relationship is "justified or privileged," the Pennsylvania Supreme Court has observed:

> The absence of privilege or justification . . . is closely related to the element of intent. As stated by Harper & James, The Law of Torts, § 6.11, at 513: '. . . where, as in most cases, the defendant acts at least in part for the purpose of protecting

17. The Pennsylvania courts have looked to the Restatement as persuasive authority in the context of the tort claims asserted by York. *See Schulman*, 35 F.3d at 809.

> some legitimate interest which conflicts with that of the plaintiff, a line must be drawn and the interests evaluated. This process results in according or denying a privilege which, in turn, determines liability.' What is or is not privileged conduct in a given situation is not susceptible to precise definition. Harper & James refer in general to interferences which 'are sanctioned by the "rules of the game" which society has adopted', and to 'the area of socially acceptable conduct which the law regards as privileged . . . .' "

Glenn v. Point Park College, 441 Pa. 474, 272 A.2d 895, 899 (1971). Good faith pursuit of litigation is generally regarded as part of the "rules of the game," and thus not actionable, even though the actor may reasonably anticipate that the litigation will harm the other party's business.

Section 773 of the *Restatement (Second) of Torts* explicitly acknowledges that the assertion in good faith of a legally protected interest, or even threatening in good faith to protect the interest by appropriate means, is not wrongful conduct.[18] A patentee's right to safeguard the exclusivity

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18. Section 773 of the *Restatement (Second) of Torts* provides:

> One who, by asserting in good faith a legally protected interest of his own or threatening in good faith to protect the interest by appropriate means, intentionally causes a third person not to perform an existing contract or enter into a prospective contractual relation with another, does not interfere improperly with the other's relation if the actor believes that his interest may otherwise be impaired or destroyed by the performance of the contract or transaction.

accompanying the issuance of a patent is given express recognition in the law of unfair competition. As explained in *Coal Processing Equipment*:

> The general rule is that a patent holder has a right to protect his interest by notifying alleged infringers of his claims, even before a decree in his favor has been obtained. He may threaten suit against an alleged infringer, but he must act in good faith, not attempt to injure a competitor's business, and confine himself to publicizing only the information necessary for his protection.

578 F. Supp. at 463. Because a patent is presumed to be valid, 35 U.S.C. § 282, a patentee "has the presumption of good faith as to his infringement filing . . . ." *Elkhart*, 867 F. Supp. at 788; *accord Lucasey Mfg. Corp. v. Anchor Pad Int'l, Inc.*, 698 F. Supp. 190, 193 (N.D. Cal. 1988). Thus, the accused infringer must show that the patentee acted in bad faith "in order to prove an allegation of unfair competition stemming from accusations of patent infringement." *Coal Processing Equip.*, 578 F. Supp. at 465.

In this case, York argues that there is at least a triable issue as to the *bona fides* of LRV in pursuing its infringement action. In support of this assertion, York points to opinions from witnesses on its side of the dispute expressing the view that the '775 Patent is invalid and, in any event, not infringed by York's fastener. But the fact that York has procured an "independent" opinion of "patent expert" E. Wallace Breisch, as well as the testimony of the attorney and patent agent prosecuting York's '940 Patent, does not support an inference

that LRV acted in bad faith. The term "independent" to describe an expert retained by counsel is an oxymoron. It is anticipated that an opinion from an expert retained by counsel, which counsel proceeds to disclose, would coincide with the position advocated by counsel, just as it is to be anticipated that the opinions expressed by the attorney and patent agent prosecuting the '940 Patent would be consistent with the position of counsel defending the infringement claim.

The focus of the bad faith inquiry is not on what evidence the alleged infringer assembles and discloses, but what evidence the patentee has available to it that supports an infringement claim. In this case, the evidence presented by LRV included the opinions of a well-credentialed mechanical engineer and an "independent" patent attorney. Such evidence provided an ample foundation for a good faith belief that York's fastener infringed the '775 Patent.[19]

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19. York has also relied upon the deposition testimony and declaration of the attorney who originally prosecuted LRV's patent application, Robert Stebens. In an opinion filed on October 30, 1995, I held that the duty of loyalty inherent in the attorney-client relationship precluded Attorney Stebens from effectively acting as an expert witness adverse to his former client. In this regard, Attorney Stebens did not offer testimony as to factual events pertaining to the prosecution history for the '775 Patent. Nor did his testimony and declaration concern advice he gave to LRV as to the validity of the '775 Patent and the issue of infringement. Instead, he was expressing opinions on the penultimate issues in this litigation after having been discharged by LRV. As pointed out by LRV, York's reliance on Steben's deposition testimony and declaration in responding to LRV's summary judgment motion was wholly inappropriate.

York insists, however, that a simple visual comparison of the accused device with "LRV's patented structure" would "immediately apprise any fair-minded person that the fasteners are substantially different," thereby supporting an inference of bad faith on the part of LRV. (Response to LRV's Summary Judgment Motion (Dkt. Entry 136) at 7.) But, as pointed out by LRV, infringement is *not* to be determined by comparing the accused device with a preferred embodiment of the patented invention. Instead, infringement, either literally or by equivalence, is to be ascertained by comparing the accused device with the properly construed claims of the patent. *See SRI Int'l v. Matsushita Elec. Corp.*, 775 F.2d 1107, 1121 (Fed. Cir. 1985).

In this case, construction of the claims in issue required a careful review of the language of the claims, the patent specification, and the prosecution history, as well as consideration of extrinsic evidence. It was only because the claims in issue were construed to require a limitation not explicitly set forth in the claims that the accused device was determined to be non-infringing. Reasonable minds could indeed differ as to the conclusion reached on the proper construction of the claims in issue. Under these circumstances, a visual comparison of the accused device and the commercial embodiment of the '775 Patent could not support an inference of bad faith.

York also argues that bad faith could be inferred from the fact that LRV's president authorized the patent infringement suit without either examining the York fastener or seeking advice from "an independent patent attorney," but instead did so based upon the advice of LRV "insiders."

Appendix B

(Response to LRV's Summary Judgment Motion (Dkt. Entry 136) at 9.) The failure to secure advice of outside counsel, however, does not support an inference of bad faith. *Cf. Machinery Corp.*, 774 F.2d at 473 ("failure to obtain advice of counsel does not conclusively establish . . . a patentee's bad faith or itself make the case 'exceptional.' "). Clearly, the president of a company is entitled to rely on the company's most knowledgeable employees in forming a decision to bring a patent infringement suit. In a scenario of the type presented here, the burden is on the accused infringer to show that it was unreasonable for the company president to rely upon "insiders." For example, it may be unreasonable to rely on advice of insiders who have proved unreliable in the past, have shown ill will to the alleged infringer, or who are not knowledgeable in the field. In this case, the "insiders" include Ronald Snyder, the attorney who prosecuted the '775 Patent to its issuance. He certainly could not be regarded as lacking the requisite knowledge to make an informed opinion as to the infringement and validity issues. There is no evidence that the other "insiders" mentioned by York, LRV's general manager and its National Marketing Director, were unreliable. Nor is there any evidence to suggest that the "insiders" were motivated by spite or ill will towards York. In this regard, the fact that LRV's general manager, Kenneth Leffel, stated that LRV would "make an example" of York does not transform its pursuit of litigation for which there was an ample foundation into a bad faith endeavor.

An inference of bad faith may be appropriate where the patentee has threatened suit without intending to follow through or sent notices of infringement indiscriminately to all members of the industry or to the customers of the

patentee's competitor. *See Mallinckrodt*, 976 F.2d at 710. Bad faith may also be shown where there is evidence that during the prosecution history the patentee expressed either reservations as to patentability or an intent to harm a competitor, as opposed to securing the protection from competition afforded by a patent. *See Magnetic Eng'g & Mfg. Co. v. Dings Mfg. Co.*, 178 F.2d 866, 868 (2d Cir. 1950). Evidence of ill will between the patentee and accused infringer may also suffice. *Coal Processing Equip., supra.*

No evidence along these lines has been presented here. LRV plainly believed that the '775 Patent claims in issue were broad enough to cover the accused fastener. The language of the claims and the expert witness testimony presented by LRV substantiated this belief. There is *no* evidence in this case that LRV *knew* its infringement action was meritless.

Contrary to York's assertion, a jury in this case would not be called upon to decide whether its witnesses or LRV's witnesses are more credible in explaining the foundation or absence of a foundation for the lawsuit. Instead, the jury would be required to determine whether York has shown that LRV did not have an honest belief in the existence of the rights it asserted. Stated otherwise, York must show that LRV could not have believed in the correctness of its position. In the absence of evidence suggesting that a patentee knew its infringement action was meritless, a claim for unfair competition is not sustainable. *See Prudent Publ'g Co. v. Myron Mfg. Corp.*, 722 F. Supp. 17, 23, (S.D.N.Y. 1989); *Gemveto Jewelry Co. v. Jeff Cooper Inc.*, 568 F. Supp. 319, 336 (S.D.N.Y. 1983). "The mere fact that plaintiff did

not ultimately prevail on its claims does not mean that those claims were groundless." *Black Dog Tavern Co. v. Hall*, 823 F. Supp. 48, 60 (D.Mass. 1993). " '[I]t is not an actionable wrong for one in good faith to make plain to whomsoever that it is his purpose to insist upon what he believes to be his legal rights, *even though he may misconceive what those rights are*.' " *Mallinckrodt*, 976 F.2d at 710 (quoting *Kaplan v. Helenhart Novelty Corp.*, 182 F.2d 311, 314 (2d Cir. 1950)).

In this case, "lack of infringement was not so clear as to give rise to any rational inference of bad faith." *Falcon Lock Co. v. Best Universal Lock Co.*, 362 F.2d 221, 223 (9th Cir. 1966). Nor is there evidence that LRV did not honestly believe in the merit of its action. Finally, the few incidents of LRV publicizing its infringement action about which York complains are insignificant and do not support an inference that LRV was acting in bad faith. In other words, the existence of a reasonably plausible basis for LRV's position in this litigation, coupled with the absence of any evidence suggesting that it did not honestly believe in its position as well as the absence of any evidence that it sought to exploit its lawsuit to harm York, warrant granting LRV summary judgment on York's counterclaim. *See Elkhart*, 867 F. Supp. at 788 (summary judgment granted in favor of patentee on unfair competition claim arising out of patent infringement notices where defendant failed to rebut presumption of good faith); *Prudent Publ'g*, 722 F. Supp. at 23 (summary judgment granted in favor of copyright holder on unfair competition counterclaim where defendant failed to show that plaintiff knew its claim was without merit before it brought the lawsuit); *Black Dog Tavern*, 823 F. Supp. at 60

(defendant to unfair competition claim entitled to summary judgment where there was no evidence of bad faith).[20]

CONCLUSION

A patent holder is entitled to take action to prevent infringement of the important right of exclusivity that promotes the inventive process. In this case, there is no evidence to suggest that LRV did not honestly believe that its valid rights were being infringed by the York fastener. The fact that York has been denied summary judgment on the patent validity issue confirms LRV's good faith belief in its patent rights. The fact that limitations had to be read

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20. In the anti-trust context, an unsuccessful copyright infringement action exposes the copyright holder to potential liability for anti-competitive conduct only if *both* the infringement action was objectively baseless *and* the copyright holder's subjective motivation was to "interfere directly with the business relationships of a competitor, through the use [of] the governmental process — as opposed to the outcome of that process." *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 60-61 (1993). LRV urges application of this two-part sham litigation test to assess the viability of York's common law unfair competition claims. Under this two-prong test for sham litigation, there would be no need to consider LRV's subjective motivation for bringing this litigation because it could not be said in this case that LRV's infringement action was "objectively baseless." Inasmuch as York has failed to present any evidence to suggest that LRV's motivation in bringing this lawsuit was to use the litigation process to interfere with York's business relationships, however, there is no need to consider whether the first prong of the two part definition of sham litigation — the absence of an objective basis for the lawsuit — is dispositive in the context of common law unfair competition claims.

into the '775 Patent claims in issue also confirms LRV's good faith belief in its infringement action. While York has presented evidence that shows that it put LRV on notice of York's position as to infringement and validity prior to the commencement of this protracted litigation, York has adduced no evidence that calls into question LRV's good faith in pursuing this litigation or in giving notice of its pendency. Accordingly, summary judgment on York's counterclaim will be granted in favor of LRV. An appropriate Order is attached.

s/ Thomas I. Vanaskie
Thomas I. Vanaskie
United States District Judge

Appendix B

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

3:CV-93-0442
(JUDGE VANASKIE)

McCLARIN PLASTICS, INC., et al.

Plaintiffs

v.

LRV ACQUISITION CORPORATION

Defendant

ORDER

NOW, THIS 4TH DAY OF MARCH, 1998, for the reasons set forth in the foregoing Memorandum, **IT IS HEREBY ORDERED THAT:**

1. The Motion of LRV Acquisition Corporation for Summary Judgment on the counterclaim of York Products, Inc. (Dkt. Entry 121) is **GRANTED.**

2. A scheduling conference shall be conducted in this matter by telephone on Thursday, March 26, 1998 at 1:30 p.m. Counsel for the plaintiffs shall be responsible for arranging the call to (717) 207-5720 and all counsel should be ready to proceed before the undersigned is contacted.

s/ Thomas I. Vanaskie
Thomas I. Vanaskie
United States District Judge

APPENDIX C — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DENYING PETITION FOR REHEARING DATED AND FILED AUGUST 4, 1999

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ORDER

Before BRYSON, Circuit Judge, and SKELTON, Senior Circuit Judge.

A petition for rehearing having been filed by the APPELLANTS,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED.

The mandate of the court will issue on August 11, 1999.

FOR THE COURT,

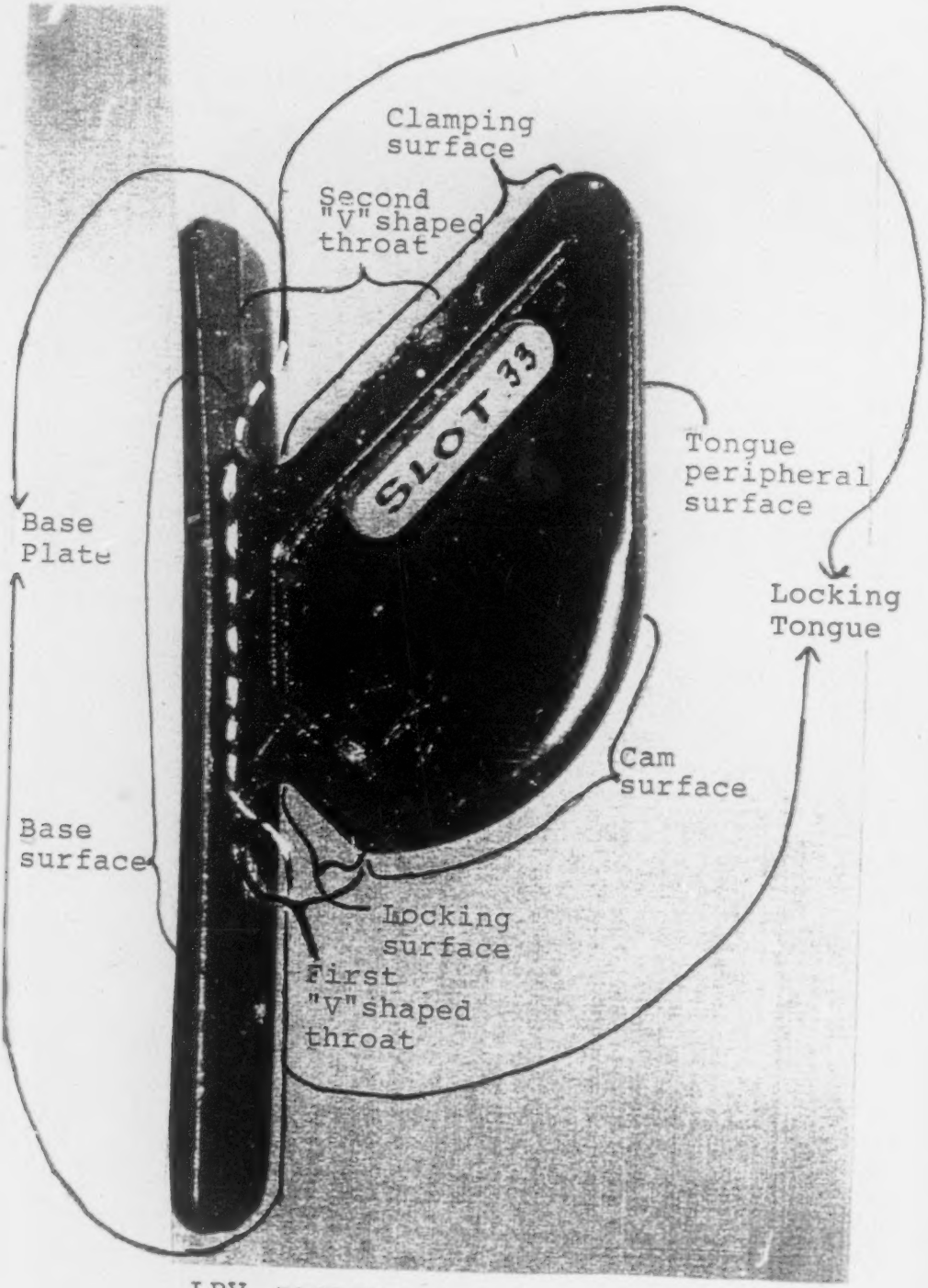
s/ Jan Horbaly
Jan Horbaly
Clerk

Dated: August 4, 1999

* * *

MCCLARIN PLASTICS V LRV ACQUISITION, 98-1454
(DCT - 93-CV-442)

APPENDIX D — FASTENERS



LRV FASTENER

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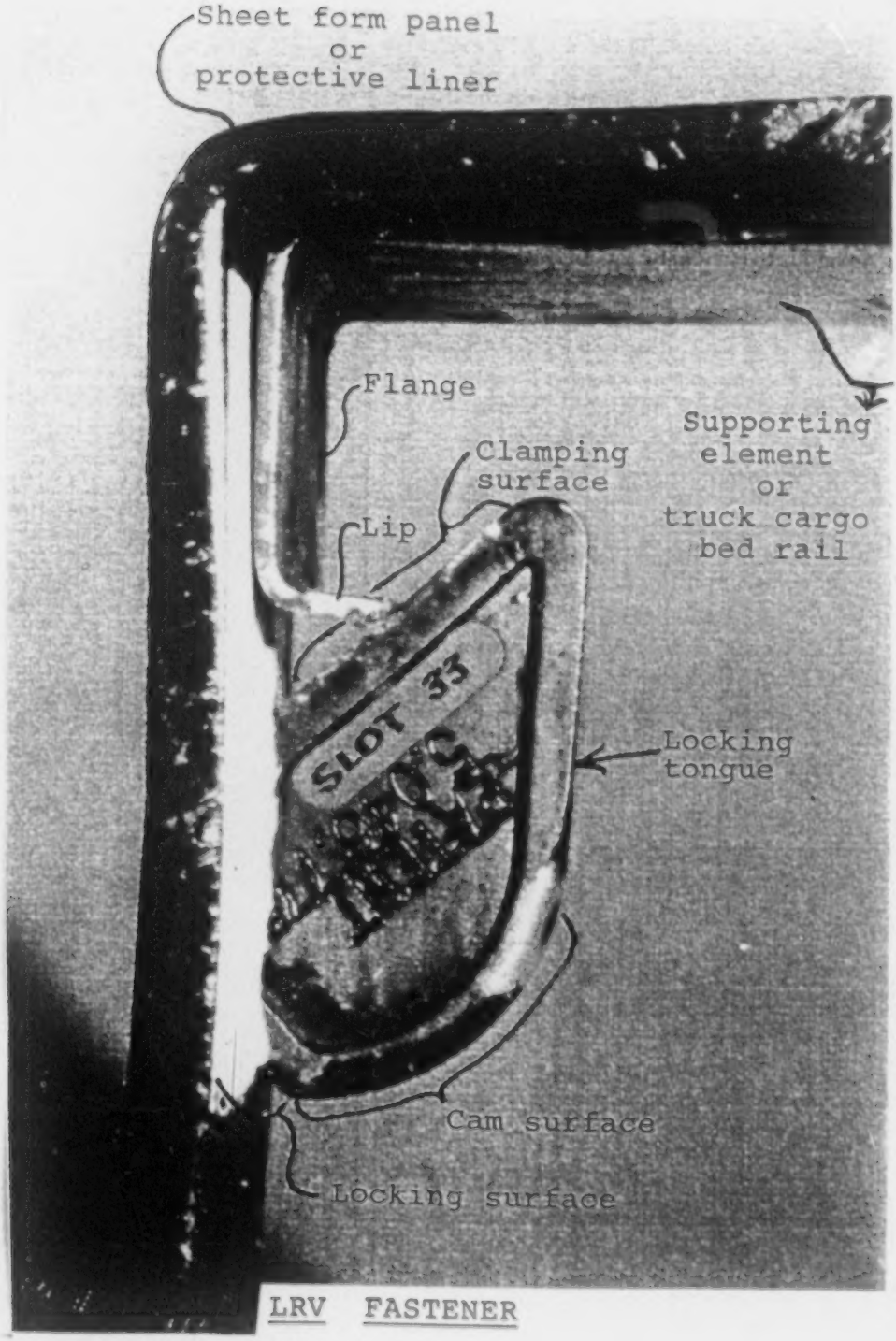

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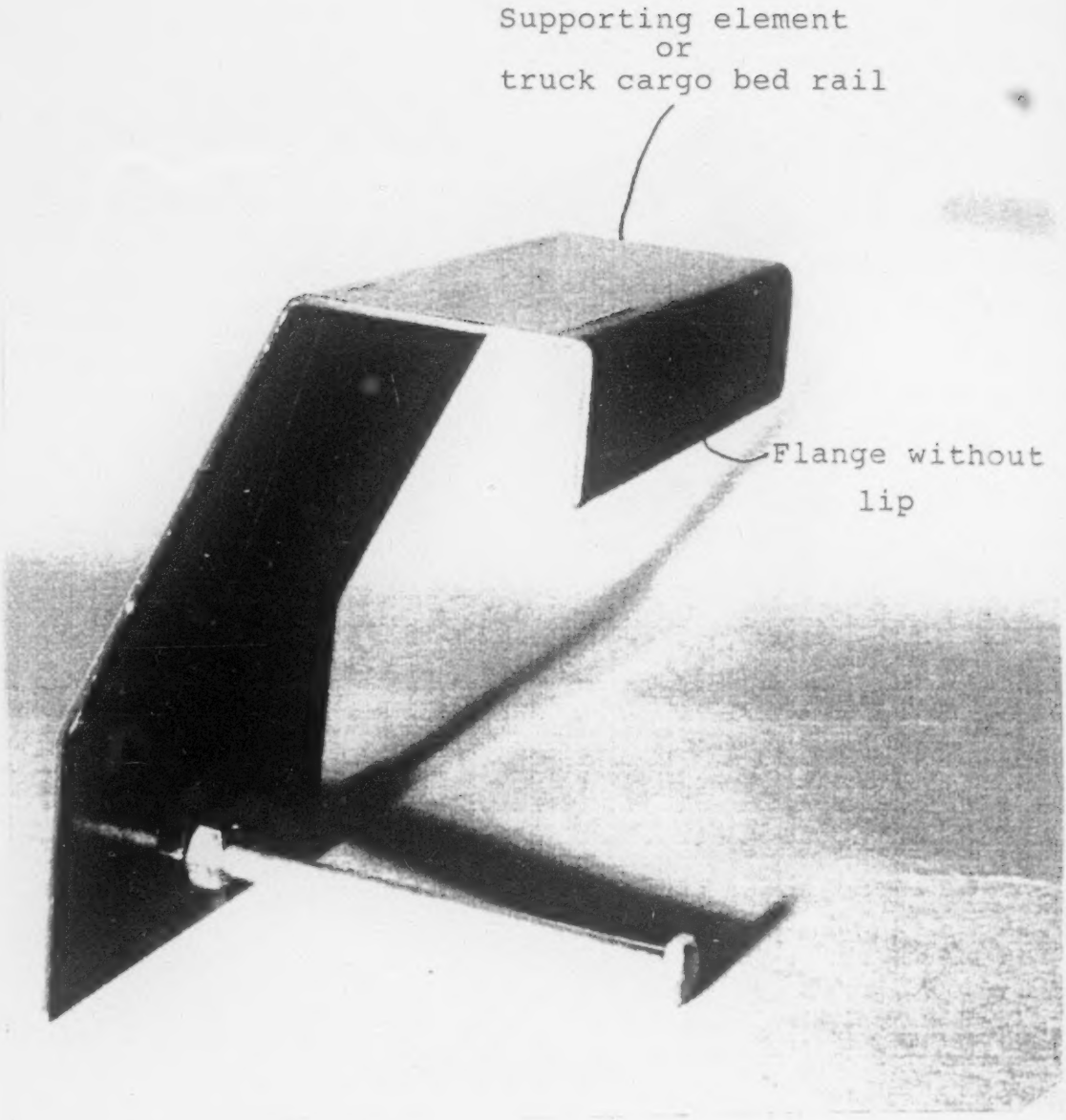

LRV FASTENER

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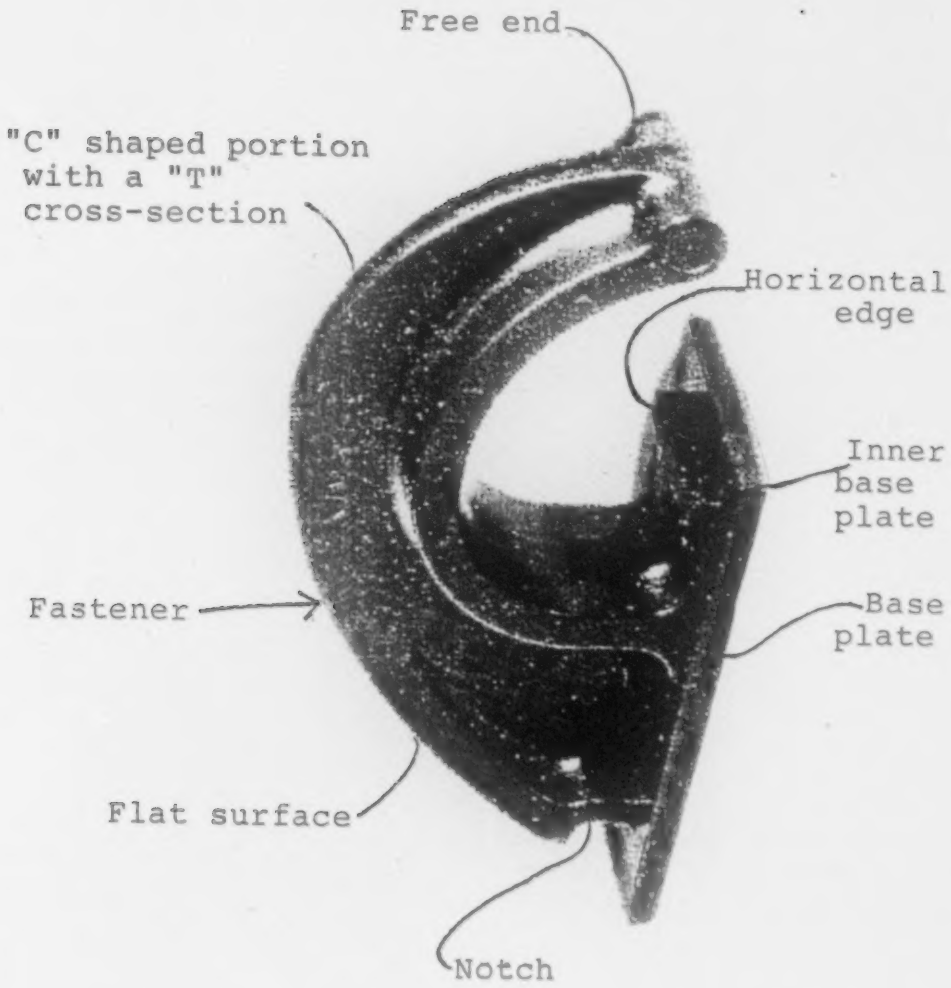

YORK FASTENER

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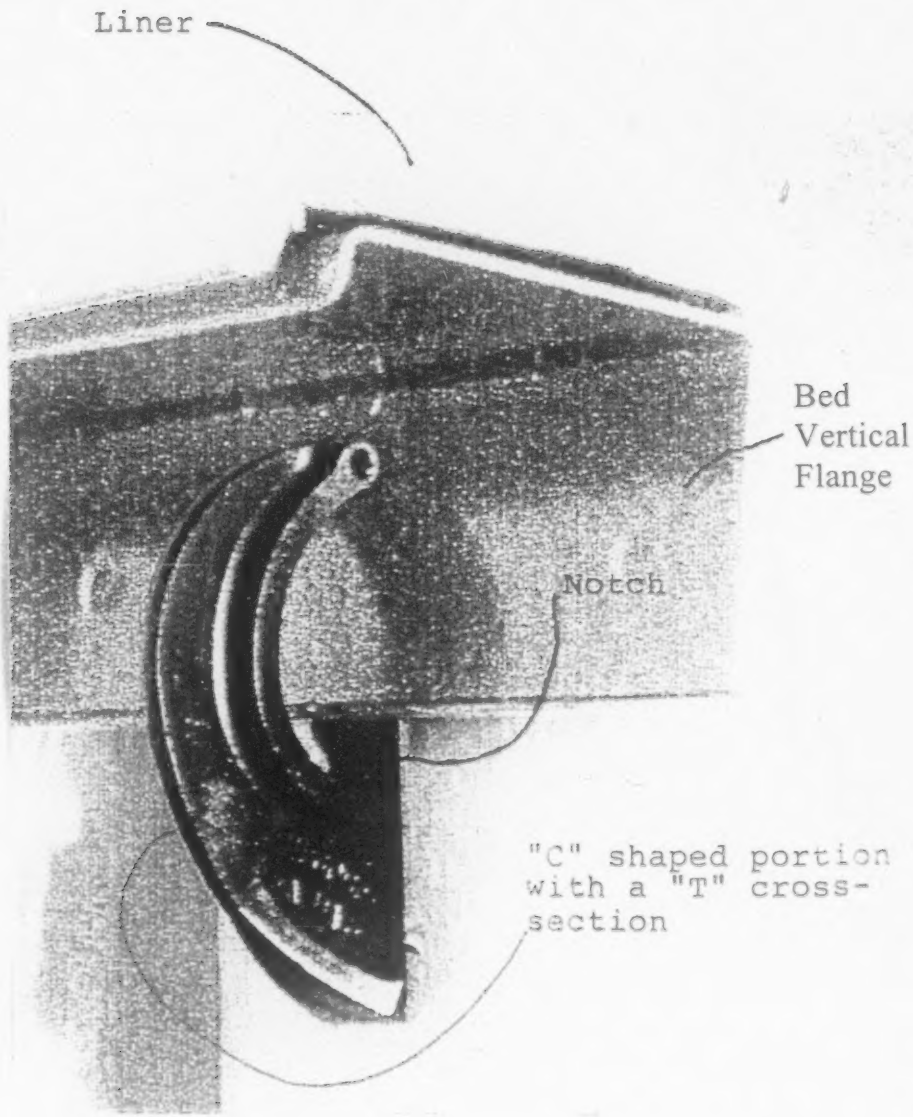

YORK FASTENER

Supreme Court, U.S.
FILED
DEC 2 - 1999
OFFICE OF THE CLERK

No. 99-767

IN THE

Supreme Court of the United States

YORK PRODUCTS, INC. and McCLARIN PLASTICS, INC.,

Petitioners,

v.

LRV ACQUISITION CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

i. Whether the Court of Appeals correctly declined to reverse the District Court's interlocutory and moot denial of summary judgment as to invalidity of a patent upon affirming a final judgment in which validity was not adjudicated, where petitioners had contended below that validity issues no longer presented a live case or controversy?

ii. Whether the Court of Appeals correctly assessed the record and "controlling state law" in affirming the District Court's holding that a defendant failed to present sufficient evidence to establish requisite elements of its counterclaim under state law?

STATEMENT PURSUANT TO RULE 29.6

Respondent's parent corporation is the Lancaster Colony Corporation and no other publicly held company owns 10% or more of the stock of Respondent.

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LRV Acquisition Corporation ("LRV"), respectfully submits this Brief in opposition to the petition for a writ of certiorari filed by York Products, Inc. ("York").

First, York seeks to suggest that the Court of Appeals should have taken up adjudication of the invalidity of LRV's patent. York, however, by its own admissions and contentions before the District Court, did not pursue a counterclaim seeking a declaration of invalidity. The claim of McClarin Plastics, Inc. ("McClarin") for a declaration of invalidity, again by its own admissions and contentions before the District Court, was rendered moot by the adjudication of noninfringement. The interlocutory denial of York and McClarin's motion for summary judgment that the patent was invalid was not required to be addressed on appeal and is not the appropriate subject of a writ of certiorari, especially under the facts of this case. The Court of Appeals appropriately concurred with the District Court and held petitioners to their position and arguments below that invalidity issues did not present a live case or controversy.

Second, York seeks to suggest some clash between state and federal law. No such clash is presented on the record and judgments in this case. Both the District Court and the Court of Appeals applied "controlling state law" in correctly reaching the conclusion based on thorough analysis of the record that York failed to present sufficient evidence for a rational trier of fact to find in its favor on essential elements of its counterclaim. (McClarin never presented a claim or counterclaim under state law).

Thus, even if the opinion of the Court of Appeals had any precedential value (which it does not because it was designated "nonprecedential" by that court and was not published), or the opinions of the District Court were published (which they were not), the record and the judgments in this case certainly do not present any conflicts or crucial issues of jurisdiction, procedure,

federalism, or federal law, let alone the "questions" posed in the petition.

OPINIONS BELOW

In addition to the nonprecedential and unpublished opinion of the Court of Appeals and the March 4, 1998 unpublished opinion of the District Court entering summary judgment on York's counterclaim, which are contained in the Appendix to the Petition ("Pet. App."), this Brief makes reference to and includes an appendix ("App.") containing:

i. The April 29, 1998 final judgment of the District Court (App. 63a);

ii. The April 29, 1998 order of the District Court, inter alia, dismissing motions on invalidity for lack of a live case or controversy or mootness, and directing entry of the final judgment (App. 59a);

iii. An excerpt of the April 28, 1998 transcript containing the District Court's rulings on York and McClarin's request for attorneys fees under 35 U.S.C. § 285 (App. 65a);

iv. The unpublished February 28, 1998 Opinion and Order of the District Court on claim interpretation, noninfringement and denial of summary judgment on invalidity (App. 1a).

None of these opinions are published.

STATEMENT OF THE CASE

A. LRV's Complaint For Patent Infringement, York's Counterclaim For Unfair Competition In The Nature Of Tortious Interference With Contracts, And McClarin's Complaint Seeking A Declaration Of Noninfringement And Invalidity

LRV is the owner of U.S. Patent No. 5,046,775, granted by the United States Patent and Trademark Office ("PTO") on September 10, 1991, directed to a fastening device for securing a bedliner to the cargo body of a pickup truck and the combination of fastener, liner and truck bed. In August of 1992, LRV filed a Complaint in the United States District Court for the Southern District of Ohio alleging that York infringed LRV's rights under the '775 Patent.

In the course of the proceedings before the District Court, the '775 Patent was subjected to reexamination in the PTO. The PTO issued a reexamination certificate confirming LRV's patent rights on December 14, 1993.

York asserted a counterclaim which alleged that LRV unfairly competed by tortiously interfering with York's business relationships:

> 4. Prior to filing the Complaint LRV . . . [was] on actual and/or constructive notice that York's Clip-Lok fastener did not infringe the '775 patent and further, that the '775 patent was obtained without complying with the requirements of 35 USC § 112.
>
> 5. Prior to the filing of LRV's Complaint York was and presently is engaged in the business of making and selling pickup truck bed liners. Said products are of superior quality to others in the marketplace and some of York's products have

unique features. Incidental thereto York has obtained patent rights arising under the law of the United States which fact is known to LRV. Because of the quality of its products and unique features York has gained a favorable reputation for York Products and York enjoys the good will of its customers. In furtherance of its business York has entered into agreements with customers who distribute York Products to consumers. Such distributors are valuable to York's business.

6. Without privilege to do so, officers, agents or employees of LRV Easco (controlled by LRV and Lancaster Colony) have intentionally disparaged the good name and reputation of York and York Products with York's distributors by tortiously interfering with York's existing business relationships to discourage or prevent sales to consumers of York products.

7. Unless enjoined from doing so LRV . . . will continue to compete unfairly against York to the further detriment and damage of York.

. . .

WHEREFORE, York requests LRV . . . be enjoined from competing unfairly with York and that York be awarded compensatory and such other damages and costs as may be allowed.

In an Amended Complaint, LRV added McClarin as a defendant. McClarin filed an Answer to the Amended Complaint but did not assert a counterclaim. Approximately ten days after LRV moved in the Ohio Action to add McClarin as a defendant, McClarin initiated a second suit in the United

States District Court for the Middle District of Pennsylvania naming LRV as the defendant and seeking a declaratory judgment on noninfringement and invalidity of the '775 Patent. In December, 1993, the Ohio Action was transferred to the Middle District of Pennsylvania and, in January 1994, consolidated with the declaratory judgment action filed by McClarin.

B. After A Two-Day Evidentiary Hearing, The District Court Interpreted The Claims Of The Patent, Entered Summary Judgment That York And McClarin Did Not Infringe, And Denied Motions Of York And McClarin Seeking Summary Judgment That The '775 Patent Was Invalid

In 1993, York moved in the Ohio Action for summary judgment that it did not infringe the '775 Patent. The District Court in Ohio denied York's motion for summary judgment on November 10, 1993, on grounds that there were material issues of fact pertaining to claim construction that precluded summary judgment.

In 1993, McClarin moved for summary judgment in the Pennsylvania Action that it did not infringe, and renewed its motion in January 1994, asserting also that the '775 Patent was invalid. The District Court denied that motion following oral argument on June 2, 1994, holding that extrinsic evidence was necessary to construe the claims of the patent.

Following a two-day claim interpretation hearing conducted after further discovery in June of 1996 pursuant to *Markman v. Westview Industries, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (en banc), *aff'd*, 517 U.S. 370 (1996), LRV moved for summary judgment that infringement was established as a matter of law. Prior to the hearing, McClarin and York moved for summary judgment on the issues of noninfringement and invalidity.

The District Court carefully studied and considered the record. More than a year after the claim interpretation hearing, in its fifty-page Opinion and Order dated February 28, 1998, the District Court ruled on the cross-motions for summary judgment on infringement, granting McClarin and York summary judgment on LRV's patent infringement claim. The District Court made certain findings of fact and construed the claims to include certain limitations not expressly presented in the claim language. (App. A). *See e.g.*, App. 37a ("Thus, a conclusion that the clamping surface must be substantially straight is compelled *notwithstanding the fact that Claim 1 does not express this limitation and an element of Claim 2 may be rendered redundant thereby.*") (emphasis added). Based upon its construction of the claims, the District Court, evaluating the evidence and legal principles of literal infringement and infringement under the doctrine of equivalents, held in favor of York and McClarin and against LRV on cross-motions for summary judgment on infringement. (App. 56a).

In its February 28, 1998 Opinion and Order, the District Court also addressed a motion for summary judgment by York and McClarin asserting that the '775 Patent was invalid. York and McClarin contended that the invention was inoperable, the disclosure in the specification was not sufficient to enable one skilled in the art to practice the invention, and the claims were indefinite, failing to particularly point out and distinctly claim the subject matter of the invention. (App. 50a).

The District Court reviewed the contentions and evidence submitted by McClarin and York on these issues. It did not simply find disputed issues of material fact that precluded entry of judgment in favor of McClarin and York, but found that McClarin and York failed to present any evidence sufficient to establish invalidity. For example, as to the adequacy of the specification, the District Court held:

> *York has failed to present any evidence that one skilled in the art could not practice the invention described in the specification of the '775 patent.* (App. 52a) (emphasis added).

As to the purported indefiniteness of the claims and inoperability, the District Court similarly found no basis upon which summary judgment could be entered in favor of York and McClarin. (App. 54a). The District Court effectively held that York's affirmative defense of invalidity was meritless, specifically suggesting that summary judgment would have been entered in favor of LRV on validity, if LRV had moved on that issue:

> *I am inclined to hold that no reasonable juror could find the LRV patent claims invalid on the grounds advanced by York.* LRV, however, has not moved for summary judgment on the validity issue, and I am reluctant to decide this matter adverse to York in the absence of such a motion. (App. 55a) (emphasis added).

C. The District Court Held That York Failed To Present Evidence Sufficient To Meet The Elements Of Its Counterclaim Under State Law

On May 1, 1996, prior to the claim interpretation hearing, LRV moved for summary judgment on York's counterclaim. In its Opinion and Order dated March 4, 1998, less than a week after its ruling of noninfringement, the District Court granted LRV summary judgment on York's counterclaim. (Pet. App. B). In ruling on York's counterclaim, the District Court applied state tort law. (Pet. App. 20a-21a, 24a-26a). The District Court found that York failed to present sufficient evidence to permit a rational trier of fact to find in favor of York on necessary elements of its claim. (Pet. App. 11a-12a).

In considering the evidence proffered by York in support of its counterclaim, the District Court held that York did not present evidence sufficient for its claim to survive under state law:

> In this case, York has not identified any existing or prospective customer that was lost as a result of LRV's infringement suit and the accompanying publicity. While contending that scarce resources that would have been used to enhance its competitive position have been diverted to this litigation, York has not presented any evidence to quantify the alleged adverse impact on the development of its business. Instead, York seeks to recover the litigation expenses in this matter under the aegis of an unfair competition claim.
>
> * * * *
>
> Assuming, however, that expenses incurred in defending against a patent infringement lawsuit may be compensable in an unfair competition counterclaim against the patentee based upon the contention that the infringement action was brought in bad faith, LRV is entitled to summary judgment. Succinctly stated, York has failed to present evidence that would support a conclusion that LRV's pursuit of its patent infringement claims was improper, unjustified, or not privileged. (Pet. App. 22a-24a).

In its thorough review of the evidence, the District Court found the evidence proffered by York insufficient for a rational trier of fact to conclude that York had met its burden on fundamental elements of its counterclaim under state law. (Pet. App. 26a-33a). The District Court noted that the evidence established an "ample foundation for a good faith belief that York's fastener infringed the '775 Patent." (Pet. App. 27a).

Contrary to York's contention that any inference of bad faith could arise from a visual comparison of York's product to LRV's product, the District Court reiterated a fundamental principle of patent law ignored by York:

> infringement is *not* to be determined by comparing the accused device with a preferred embodiment of the patented invention. Instead, infringement, either literally or by equivalence, is to be ascertained by comparing the accused device with the properly construed claims of the patent. *See SRI Int'l v. Matsushita Elec. Corp.*, 775 F.2d 1107, 1121 (Fed. Cir. 1985). (Pet. App. 28a).

The District Court, which held a two-day claim interpretation hearing, specifically held that:

> *Reasonable minds could indeed differ as to the conclusion reached on the proper construction of the claims in issue.* Under these circumstances, a visual comparison of the accused device and the commercial embodiment of the '775 Patent could not support an inference of bad faith. (Pet. App. 28a) (emphasis added).

The District Court did not reject in broad terms the contentions of York that bad faith could be inferred by the reliance of LRV's president on the advice of "insiders" in proceeding to file the Complaint. Rather it held narrowly that the evidence proffered by York was insufficient to support any such inference in the present case:

> the burden is on the accused infringer to show that it was unreasonable for the company president to rely upon "insiders." For example, it may be unreasonable to rely on advice of insiders who have proved unreliable in the past, have shown ill will to

> the alleged infringer, or who are not knowledgeable in the field. In this case, the "insiders" include Ronald Snyder, the attorney who prosecuted the '775 Patent to its issuance. He certainly could not be regarded as lacking the requisite knowledge to make an informed opinion as to the infringement and validity issues. There is no evidence that the other "insiders" mentioned by York, LRV's general manager and its National Marketing Director, were unreliable. Nor is there any evidence to suggest that the "insiders" were motivated by spite or ill will towards York. In this regard, the fact that LRV's general manager . . . stated that LRV would "make an example" of York does not transform its pursuit of litigation for which there was an ample foundation into a bad faith endeavor. (Pet. App. 29a).

The District Court further identified various circumstances in which bad faith may be inferred and found no evidence of such circumstances was presented by York:

> No evidence along these lines has been presented here. LRV plainly believed that the '775 Patent claims in issue were broad enough to cover the accused fastener. The language of the claims and the expert witness testimony presented by LRV substantiated this belief. There is *no* evidence in this case that LRV *knew* its infringement action was meritless. (Pet. App. 30a).

The District Court further articulated the insufficiency of the evidence proffered by York to meet its burden of proof on elements of its claim:

> In this case, "lack of infringement was not so clear as to give rise to any rational inference of bad

> faith." *Falcon Lock Co. v. Best Universal Lock Co.*, 362 F.2d 221, 223 (9th Cir. 1966). Nor is there evidence that LRV did not honestly believe in the merits of its action. Finally, the few incidents of LRV publicizing its infringement action about which York complains are insignificant and do not support an inference that LRV was acting in bad faith. In other words, the existence of a reasonably plausible basis for LRV's position in this litigation, coupled with the absence of any evidence suggesting that it did not honestly believe in its position as well as the absence of any evidence that it sought to exploit its lawsuit to harm York, warrant granting LRV summary judgment on York's counterclaim. (Pet. App. 31a).

In conclusion, the District Court held that "York has adduced no evidence that calls into question LRV's good faith in pursuing this litigation or in giving notice of its pendency." (Pet. App. 33a).

D. The District Court Dismissed Motions For Summary Judgment As To Invalidity For Lack Of A Live Case Or Controversy As Urged By York And McClarin, And Held That This Was Not An Exceptional Case For An Award Of Attorneys' Fees

This is not a case in which a judgment on the issue of the validity or invalidity of a patent was vacated on appeal. The judgment of the Court of Appeals dated July 12, 1999 affirmed, in its entirety, the final judgment of the District Court dated April 29, 1998. (App. 63a). The Final Judgment of the District Court was based upon its order dated April 29, 1998. (App. 59a).

The Final Judgment of the District Court did not include any adjudication as to the validity or invalidity of the patent in issue. It did not include any such adjudication because York and McClarin contended before the District Court that the invalidity of the patent they had alleged was no longer the subject of a justiciable case or controversy. *See* pages 16-19 below.

After the District Court stated in its February 28, 1998 Opinion "I am inclined to hold that no reasonable juror could find the LRV patent claims invalid on the grounds advanced by York," (App. 55a), LRV moved for summary judgment that its patent was valid. In response, McClarin and York contended that alleged invalidity of the patent no longer presented a live case or controversy. *See* pages 17-18 below. Yielding to the position advanced by York and McClarin that there was no longer a justiciable dispute as to the invalidity of LRV's patent, in the April 29, 1999 order upon which the Final Judgment of the District Court was based, the District Court ordered, *inter alia*, that:

> 1. The request of McClarin Plastics, Inc. for a declaratory judgment that the LRV Acquisition Corporation patent in question is invalid is DISMISSED FOR LACK OF A LIVE CASE OR CONTROVERSY.
>
> 2. LRV Acquisition Corporation's motion for summary judgment on the validity of the patent in question . . . is DISMISSED AS MOOT.
>
> . . .
>
> 4. In accordance with the February 25 and March 5, 1998 Memorandum and Orders and this Order, the Clerk of Court is directed to enter

> judgment in favor of McClarin Plastics, Inc. and York Products, Inc. on LRV Acquisition Corporation's claim of patent infringement. The Clerk of Court is further directed to enter judgment in favor of LRV Acquisition Corporation and against York Products, Inc. on the counterclaim of York Products, Inc.

At the April 28, 1998 argument on the petition for attorneys fees under 35 U.S.C. § 285, the District Court held that this was not an exceptional case, stating in summary that there was no evidence of bad faith or vexatious conduct by LRV:

> And there was, as I have said in the opinions, before, a reasonably plausible argument advanced, on behalf of LRV, as to why each and every element set forth in the pertinent claims was found — claimed to be present in the accused device. Ultimately, the claim language had to be interpreted, some specific terms had to be construed, and it was the construction I placed on those terms that led me to the conclusion of non-infringement. But the position taken by LRV, at the inception, that is, Mr. Snyder's letter of April 20, 1992, and the analysis he went through, comparing the accused device with the language of the claim, was very similar to the approach taken throughout this litigation, ultimately, not successful, but the fact it was not successful did not make it unreasonable, nor one that could be said was frivolous, advanced in a grossly negligent manner, or for an improper purpose.
>
> So at it's inception, I find no clear and convincing evidence of gross negligence or bad faith, on the part of LRV, and during the prosecution of this case, I find no clear and convincing evidence, no evidence

> of — I'll amend that statement to say —no evidence of bad faith conduct or vexatious conduct, on the part of LRV. (App. 69a-70a).

E. The Court Of Appeals Concurred With The District Court As To Noninfringement, The Insufficiency Of The Evidence On York's Counterclaim Under Controlling State Law, And The Lack Of The Need To Decide Invalidity Issues

On July 12, 1999, the Court of Appeals for the Federal Circuit issued a nonprecedential opinion and judgment affirming the final judgment of disposing of all claims and counterclaims in the consolidated action in the District Court. The Court of Appeals affirmed the holding and judgment of noninfringement (Pet. App. A).

The Court of Appeals also affirmed the District Court's finding that York failed to present evidence sufficient to meet necessary elements of its counterclaim under controlling state law:

> The district court granted LRV's motion for summary judgment on York's claim of unfair competition. York's theory, in essence, is that LRV filed a baseless and frivolous action for patent infringement and that York should be compensated for the costs it incurred in defending against that action. Under controlling state law, a necessary element of York's claim is interference with or harm to contractual or prospective contractual relationships. As the district court noted, York has presented no evidence material to that element of its unfair competition claim. Accordingly, the district court properly granted summary judgment for LRV on York's unfair competition claim. (Pet. App. A, 8a).

The Court of Appeals further concurred with the District Court's holding and petitioners' arguments before the District Court that there was no need or basis to decide any invalidity issues in light of the final adjudication of all justiciable claims. The Court of Appeals held not only that the interlocutory denial of summary judgment was not subject to review on appeal, but also that York and McClarin could not expect appellate review after they precluded the District Court's ruling on LRV's motion for summary judgment that the '775 Patent was valid by arguing that the court's infringement ruling obviated the need for a ruling on invalidity:

> After the district court denied McClarin and York's motion for summary judgment that claims 1 and 31 of the '775 patent are invalid, LRV sought summary judgment in its favor on the invalidity issue. ***McClarin and York contested LRV's motion on justiciability grounds, arguing (1) that York had raised invalidity only as an affirmative defense and that the court's infringement ruling obviated the need for a ruling on the affirmative defense, and (2) that after the court's infringement ruling, McClarin no longer had standing to pursue a declaration that the '775 patent is invalid. The district court agreed with York and McClarin*** and dismissed both McClarin's request for a declaratory judgment that the claims of the '775 patent are invalid and LRV's motion for summary judgment on that issue.
>
> York and McClarin argue on appeal that the district court improperly denied their motion for summary judgment that claims 1 and 31 of the '775 patent are invalid. It is well established, however, that we do not have jurisdiction to review orders

> denying motions for summary judgment. *See, e.g., Parker Bros. v. Tuxedo Monopoly, Inc.*, 757 F.2d 254, 255 (Fed. Cir. 1985). Had the district court granted LRV's motion for summary judgment on the invalidity issue, we would have had jurisdiction to consider an appeal from that judgment. There is no such judgment, however, because the district court dismissed LRV's motion for summary judgment on McClarin's invalidity claim. ***The court took that action without objection from York and McClarin, and in fact at their urging.*** We therefore do not consider the arguments of York and McClarin that claims 1 and 31 of the '775 patent are invalid. (Pet. App. 7a-8a (emphasis added)).

REASONS FOR DENYING THE WRIT

I.

THE COURT SHOULD NOT CONSIDER CERTIORARI ON ISSUES OF PATENT INVALIDITY AFTER PETITIONER SUCCESSFULLY ASSERTED THOSE ISSUES WERE MOOT TO AVOID AN ADVERSE RULING IN THE DISTRICT COURT

In their April 8, 1998 brief in the District Court in opposition to LRV's motion for summary judgment that LRV's patent is valid, *York and McClarin argued*:

> Plaintiffs submit that whether or not LRV's patent is valid need not be reached. The validity of LRV's patent is of no interest to plaintiffs unless the Court's ruling on infringement is reversed even though they submit claims 1 and 31, and the claims dependent thereon are invalid.
>
> * * *

> In the Ohio case, York raised the issues of non-infringement and patent invalidity in answer to LRV's complaint. Because York has prevailed on its defense on non-infringement, its defense of patent invalidity is believed moot. Without a basis to allege infringement or threaten York with suit York has no controversy with LRV to litigate. McClarin's situation is the same.
>
> However, in Pennsylvania McClarin filed a declaratory judgment action to have declared that York's fastener did not infringe or that LRV's patent is invalid. The infringement ruling removed that issue and McClarin, that neither makes or sells York fasteners questions that it now has standing to obtain a ruling on invalidity unless the court's ruling on infringement is reversed. At present, McClarin has no case or controversy over the validity of LRV's patent.
>
> And, LRV has no standing to obtain an advisory opinion that its patent is valid. (App. 73a-74a) (Apr. 8, 1998 Brief at 1-2).

Similarly, in the April 28, 1998 hearing, the court asked and counsel for York and McClarin stated:

> THE COURT: . . . First, Mr. Hasley, York only raised the validity question, by way of affirmative defense?
>
> MR. HASLEY: Correct, Your Honor.
>
> THE COURT: Are you conceding McClarin, in light of the non-infringement ruling, does not have standing, at the present time, to pursue?
>
> MR. HASLEY: I've made that statement or something similar to that in one of our briefs.

* * * *

THE COURT: Anything else, Mr. Hasley?

MR. HASLEY: As I've explained in the papers, and I just wanted to be cautious, that the issue of validity is moot, simply because of the non-infringement finding. If, for example, LRV intends to appeal and we would, somehow, find ourselves back in court, we would certainly want the right to argue, again, that as a matter of law, the LRV patent is invalid. (App. 66a-67a).

When the District Court was prepared to find in favor of LRV that the patent was valid, York and McClarin staved off an adjudication of that issue adverse to their position by arguing, successfully, as recited by the Court of Appeals, "(1) that York had raised invalidity only as an affirmative defense and that the court's infringement ruling obviated the need for a ruling on that affirmative defense, and (2) that after the court's infringement ruling, McClarin no longer had standing to pursue a declaration that the '775 patent is invalid." (Pet. App. 7a).

The Court of Appeals affirmed the judgment of the District Court. There is no live case or controversy as to any request for a declaration of invalidity. It would be inappropriate, respectfully, for this Court to issue a writ of certiorari to the Court of Appeals to address issues of invalidity or the Court of Appeals' concurrence with the District Court and with petitioners' position before the District Court that alleged invalidity no longer presented a live case or controversy upon entry of judgment by the District Court, and particularly upon affirmance of that judgment by the Court of Appeals.

It is a fundamental principle of appellate procedure that an appellate court will not consider positions that were not raised or were abandoned in the lower court. *See Delta Air Lines, Inc.*

v. August, 450 U.S. 346, 362 (1981) ("that question was not raised in the Court of Appeals and is not properly before us"); *Singleton v. Wulff,* 428 U.S. 106, 120 (1976) ("It is the general rule, of course, that a federal appellate court does not consider an issue not passed upon below."). Once York and McClarin avoided an adverse ruling from the District Court on their assertions of invalidity by convincing the District Court that there was no live case or controversy on such issues, it is inappropriate for them to ask this Court to force the Court of Appeals to adjudicate what they contended was moot. *Cf. City of Monterey v. Del Monte Dunes at Monterey, Ltd.*, 119 S. Ct. 1624, 1636 (1999) ("As the city itself proposed the essence of the instructions given to the jury, it cannot now contend that the instructions did not provide an accurate statement of the law."); *City of Springfield v. Kibbe,* 480 U.S. 257 (1987) (per curiam) (dismissing writ as improvidently granted where petitioner failed to object to liability standard applied by the district court).

II.

McCLARIN HAS NO STANDING TO PRESENT THE QUESTIONS SET FORTH IN YORK'S PETITION

The caption of the Petition refers to both York and McClarin as "Petitioners," and page 1 of the Petition states that McClarin "joins in York's petition." McClarin, however, has no standing to present the questions set forth in York's petition, both of which *purport* to relate to a state law counterclaim which was asserted only by York, and not by McClarin in the District Court. Although McClarin did assert a complaint seeking a declaration of invalidity of LRV's patent, like York, as addressed in the preceding section, it successfully contended in the District Court that there was no live case or controversy as to invalidity remaining after the adjudication of noninfringement on the facts of this case. McClarin did not assert any claims under state law.

III.

THE ISSUES SET FORTH IN THE PETITION ARE NOT PRESENTED BY THE JUDGMENT OF THE COURT OF APPEALS

As discussed above, in refusing to adjudicate moot issues on appeal of invalidity of the patents held noninfringed, the Federal Circuit merely followed the position successfully urged by York and McClarin to avoid the District Court's adjudication of LRV's motion for summary judgment to establish validity. Thus, there is no foundation for the first question York seeks to present in its Petition. (*See* Pet. at i).

York's second question presented attempts to suggest that the Federal Circuit somehow improperly reached out in this case to preempt state law. The fundamental problem with York's attempt to manufacture an issue for certiorari is that the Federal Circuit did nothing more than affirm the adjudication of the District Court "under controlling state law" based on the District Court's assessment of the inadequacy of York's proof on elements of its claims under controlling state law. As this Court has recently stated, "We do not normally disturb an appeals court's judgment on an issue so heavily dependent on analysis of state law . . . and we lack cause to do so here." *UNUM Life Insurance Co. v. Ward,* 119 S. Ct. 1380, 1386 (1999). Moreover, this Court generally does not address arguments, such as those advanced by York, that fail to address and were not the basis for the decision below. *Holly Farms Corp. v. NLRB,* 517 U.S. 392, 400 n.7 (1996). To the contrary, this Court generally addresses issues only after they have been thoroughly briefed before and decided by lower courts, allowing full exposition and definition of the issues through several levels of decision. *See Bragdon v. Abbott*, 118 S. Ct. 2196, 2205 (1998).

Nothing in the Federal Circuit's nonprecedential, unpublished opinion discusses or applies any "presumption" or "clear and convincing evidence" standard, about which Petitioner purports to complain in the second question presented. (Pet. App. at i). The District Court acknowledged that other courts had recognized a presumption of good faith (Pet. App. 26a), but said nothing about clear and convincing evidence. Contrary to applying any "presumption," however, the District Court expressly held that the evidence of record established the proper, good faith foundation for LRV's actions, and further that the record was devoid of any meaningful evidence of bad faith that could support a rational trier of fact's finding of bad faith under state law.

Petitioner's suggestion that certiorari should be granted to resolve a purported "conflict" which does not exist between a 1981 Southern District of Ohio case *Coal Processing Equipment, Inc. v. Bobby C. Campbell*, 578 F. Supp. 445 (S.D. Ohio 1981) and Federal Circuit law (Pet. at 16) not only fails to present a basis for certiorari, but ignores that the District Court specifically applied the state unfair competition law principles set forth in *Coal Processing Equipment* (Pet. App. 20a-32a), without any disagreement from the Federal Circuit. (Pet. App. 8a). If there is any phantom conflict, it was not manifested on the record or in the judgments in this matter.

While it complains that federal standards should not be applied to state law claims, York asks this Court to adopt the two part "sham" litigation test of *Professional Real Estate Investors v. Columbia Indus., Inc.*, 508 U.S. 49, 60-61 (1993) ("*PRE*"), in analyzing alleged "bad faith" patent litigation in connection with its state law counterclaim, but to drop the subjective prong and create a new one-prong objective test. Once

again, the record and judgments in this case are not an appropriate vehicle for this Court to address any such issues. The Court of Appeals did not discuss or consider that issue. There is no reason why it should have done so, because York and McClarin did not argue to the Court of Appeals that the *PRE* standard (or solely the objective prong of *PRE*) should be applied, just as they did not argue that *Coal Processing Equipment* conflicted with Federal Circuit law. *Neither of those cases were even cited in any of the parties' briefs to the Federal Circuit.*

Moreover, the District Court determined that "it could not be said the LRV's infringement action was 'objectively baseless,' " but held that it was unnecessary to reach LRV's contention that York's claim was barred on that basis. (Pet. App. 32a, n.20).

The Court of Appeals, in its unpublished and nonprecedential opinion, affirmed the District Court's entry of summary judgment against York on its counterclaim. The judgment of affirmance was not based upon any "presumption" as contended in the Petition, and no such "presumption" was discussed or referenced in the Opinion of the Court of Appeals. The Court of Appeals affirmed the District Court's finding that York failed to present evidence sufficient to meet necessary elements of the claim under controlling state law. (*See* p. 14 above and Pet. App. 8a).

IV.

THE UNPUBLISHED AND NONPRECEDENTIAL OPINION IN THIS MATTER IS NOT WORTHY OF CERTIORARI AND ALL JURISTS CONSIDERING THE MATTER HAVE REASONABLY CONCURRED THAT JUSTICE HAS BEEN EFFECTED BY THE JUDGMENT OF THE DISTRICT COURT

The unpublished Federal Circuit opinion in this case is nonprecedential and presents no issues worthy of certiorari. Under Federal Circuit Rule, 47.6(b), Federal Circuit opinions designated as "not citable as precedent are those *unanimously determined by the panel at the time of their issuance as not adding significantly to the body of law.*" (Emphasis added).

This case involves a garden-variety patent infringement case which was aggressively litigated by the alleged infringers. The District Court, which held a two-day claim interpretation hearing, ultimately interpreted the claims adverse to the position advanced by the patent holder. That same court, however, characterized the patent holder's contentions as consistent and reasonably plausible, and found no evidence of any bad faith or vexatious conduct. To the contrary, the District Court found that uncontroverted evidence established the patent holder's good faith belief that the defendants infringed. The court also stated on review of the alleged infringers' contentions of invalidity that it was inclined to hold that no reasonable trier of fact could find the patent invalid on the grounds advanced, again after conducting an evidentiary hearing.

The state law counterclaim was carefully considered, and the District Court and the Court of Appeals concurred that the evidence proffered was insufficient to establish the claim under controlling state law. Both courts also concurred that it would be inappropriate to further adjudicate invalidity issues after the

parties seeking such adjudication had represented to the District Court that the issues were moot to avoid the ruling adverse to their position the District Court had stated it was inclined to make.

As the District Court stated on April 28, 1998, the day before the final judgment was entered in the District Court:

> I would urge both sides to, finally, put to rest this matter that has pended for quite sometime, now, for five years. Obviously, reasonable minds can differ over my decision, I hope I'm, at least alive enough to know that and that this decision doesn't have to be the final end, and it could go up on appeal and Appellate Court could disagree with some or all of my conclusions, either, on infringement or on section 285 fees or on these other issues.
>
> But it does seem to me that there is, also, an appropriate time for litigation to come to an end, and, hopefully, this case has reached that point. (App. 71a).

That was not, in fact, the end of the matter, but the appellate court did not disagree with any of the District Court's assessments, on any issues. Several learned jurists sitting in several courts have concurred that justice was done as between the parties, and that the time now truly has come for this litigation to come to an end. Respectfully, this Court's intervention is entirely unnecessary and unwarranted.

CONCLUSION

For the reasons stated above, respondent respectfully requests that the petition for certiorari be denied.

Respectfully submitted,

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APPENDIX

APPENDIX A — MEMORANDUM AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF PENNSYLVANIA DATED AND FILED FEBRUARY 25, 1998

IN THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

3:CV-93-0442
(JUDGE VANASKIE)

McCLARIN PLASTICS, INC., et al.

Plaintiffs

v.

LRV ACQUISITION CORPORATION

Defendant

MEMORANDUM

At issue in this litigation is a patent held by LRV Acquisition Corporation ("LRV") for a fastener used to secure a protective liner to the cargo bed of a pickup truck. LRV charges that a fastening device used by York Products, Inc. and McClarin Plastics, Inc. in connection with pickup truck bedliners marketed by York infringe certain claims in the LRV patent.[1] York not only denies infringement, but also challenges the validity of the LRV patent.

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1. McClarin Plastics manufactures pickup truck bedliners for York Products. The bedliners are marketed by York Products with

(Cont'd)

Appendix A

Both York and LRV have moved for summary judgment on the infringement question. After careful consideration of the entire record, including the evidence presented at a hearing held for purposes of addressing the parties' patent claim-construction contentions, I find that York is entitled to summary judgment in its favor on the infringement issue.[2]

York has also moved for summary judgment on the validity of the LRV patent. Because the proffer made by York does not show by clear and convincing evidence the invalidity of the LRV patent, York's motion for summary judgment on this issue will be denied.

I. BACKGROUND

A. *Procedural History*

On the way to getting to this point in the protracted case, with cross-motions for summary judgment on the penultimate

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(Cont'd)
the accused fastener. While there are factual disputes as to the nature of the relationship between York and McClarin, for sake of simplicity, when referred to collectively, York and McClarin will be designated as "York." When referred to separately, York Products, Inc. will be designated York Products and McClarin Plastics, Inc. will be designated McClarin.

2. The word "claim" is used herein, of course, in its patent law sense, *i.e.*, that part of the patent document that "particularly poin[ts] out and distinctly claim[s] the subject matter which the applicant regards as his invention," 35 U.S.C. § 112. The claim " 'define[s]
(Cont'd)

issue of infringement now pending, York twice unsuccessfully sought summary judgment on the infringement and validity issues. Consistent with its view that the case should be decided without a trial and solely on the filings made with the Patent and Trademark Office ("PTO"), York took a narrow view of the scope of permissible discovery. LRV, on the other hand, assiduously resisted summary judgment on the ground that the scope of its patent should be decided by a jury. Consistent with this view, LRV sought expansive discovery, resulting in a number of discovery rulings.[3] When the Federal Circuit and Supreme Court finally settled the question of who should determine the scope of patent claims by declaring that claim construction was to be decided by the court as opposed to a jury, *see Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed.Cir. 1995) (*en banc*), *aff'd*, 116 S.Ct. 1384 (1996), LRV pressed for an evidentiary hearing to present extrinsic evidence on claim construction, while York adamantly opposed such a proceeding. Finally, after the evidentiary hearing was held over York's objection, LRV itself moved for summary judgment on the infringement issue.

(Cont'd)

the scope of the patent grant,' and functions to forbid not only exact copies of an invention, but products that go to 'the heart of the invention but avoid the literal language of the claim by making a noncritical change.' " *Markman v. Westview Instruments, Inc.*, 116 S.Ct. 1384, 1388 (1996).

3. One of those discovery rulings — communications with patent agents are not protected by the attorney-client privilege — is now before the Federal Circuit by way of York's mandamus petition.

Appendix A

The tortuous path that brought the case to this point began in 1992. This litigation originated in the Southern District of Ohio as an action by LRV against only York Products for patent infringement, docketed to Civil Action No. C-1-92-669. York Products sought summary judgment in the Ohio action, asserting that, when properly construed, the LRV patent claims did not cover the York fastener. By Order dated November 10, 1993, Judge Spiegel denied York Products' summary judgment motion on the grounds that there were material issues of fact pertaining to claim construction that precluded summary judgment.[4]

While the action in Ohio was pending, McClarin, acting alone, brought an action for declaratory relief in this Court, docketed to 1:CV-93-0442, seeking a decree that the LRV patent claims were invalid or, alternatively, that it had not infringed the LRV patent. LRV counterclaimed and also sought to transfer McClarin's action to the Southern District of Ohio. By Order dated August 30, 1993, Chief Judge Sylvia H. Rambo of this Court denied the motion for transfer, but stayed this action pending further order of court. At the time this action was stayed there was pending McClarin's motion for summary judgment on infringement and validity issues.

In December of 1993, the Southern District of Ohio action was transferred to this Court, and was docketed to 1:CV-94-0010. By Order dated January 24, 1994, Chief Judge Rambo lifted the stay imposed by her August 30, 1993

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4. A copy of the Order of the Hon. S. Arthur Spiegel denying York's summary judgment motion is attached as Tab 10 to the LRV Appendix submitted in opposition to York's summary judgment motion in this matter. (Dkt. Entry 168.)

Order and consolidated the Southern District of Ohio action with the declaratory judgment action brought in this Court, with both McClarin and York being designated as the plaintiffs and LRV as the defendant. A schedule for briefing the still-pending summary judgment motion was thereafter established.

By Order dated March 2, 1994, Chief Judge Rambo reassigned the consolidated matters to me. On June 2, 1994, I held oral argument on the pending summary judgment motions.[5] York, as it had in the Southern District of Ohio, argued that, when properly construed, a finding that its fastener infringed the LRV patent was precluded. LRV, as it had in the Southern District of Ohio, argued, *inter alia*, that claim construction involved disputed issues of fact that had to be resolved by a jury. Based upon authority from the United States Court of Appeals for the Federal Circuit suggesting that, when extrinsic evidence is necessary to explain a disputed term, the construction of the patent claim should be left to the trier of fact, *e.g.*, *Palumbo v. Don Joy Co.*, 762 F.2d 969 (Fed.Cir. 1985), I denied summary judgment for the same reasons that summary judgment had been refused in the Southern District of Ohio. (Transcript of June 2, 1994 Oral Argument at 71-73.) I also denied summary judgment on the question of patent validity and denied York's request to certify the matter for an interlocutory appeal under 28 U.S.C. § 1292(b). (*Id.* at 75.)

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5. McClarin initially had moved for summary judgment in August of 1993. On January 14, 1994, McClarin filed a second motion, entitled "Motion in Limine and for Summary Judgment that the United States Patent No. 5,046,775 is Invalid and not Infringed." (Dkt. Entry 27.)

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In denying summary judgment on the infringement question, I suggested the possibility of an *in limine* hearing on the scope of the LRV patent claims, noting that this was an approach for which some "guidance" would be obtained "in the near future from the Federal Circuit . . . ." (*Id.* at 74.) This "guidance" came in the form of *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed.Cir. 1995) (*en banc*), *aff'd*, 116 S.Ct. 1384 (1996). In *Markman*, the Federal Circuit held that claim construction presented a question of law exclusively within the province of the court. 52 F.3d at 979. If necessary, the trial court could conduct an evidentiary hearing for purposes of receiving evidence extrinsic to the patent and its prosecution history.[6] *Id.* at 980-81. In affirming the Federal Circuit's holding, the Supreme Court reasoned that application of the "standard construction rule that a term can be defined only in a way that comports with the instrument as a whole," 116 S.Ct. at 1395, required that responsibility for the matter of claim construction be ceded to the trial judge, "notwithstanding its evidentiary underpinnings." *Id.* at 1395-96.

Following resolution of several discovery disputes, a *Markman* hearing was conducted in this matter on July 1 and 2, 1996. In anticipation of that hearing, the parties submitted their respective statements of position pertaining to the scope of the claims in issue. Post-hearing proposed findings of fact and conclusions of law were also filed by each party.

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6. Such an evidentiary hearing has been referred to by the parties as a "*Markman* hearing."

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Prior to the *Markman* hearing, York once again moved for summary judgment, (Dkt. Entry 145), incorporating by reference the motion in limine and for summary judgment that had been filed in January of 1994. (Dkt. Entry 27.) York's motion addressed both the infringement and patent validity issues. Following the *Markman* hearing, LRV moved for summary judgment, but only on the infringement issue. (Dkt. Entry 176.)

The threshold step in patent infringement analysis is to ascertain the scope of the relevant patent claims, "which in turn necessitates a determination of 'what the words in the claim mean.' " *Markman*, 116 S.Ct. at 1388. This issue, of course, must be resolved by the court. Accordingly, findings of fact pertinent to the LRV scope of the LRV patent claims at issue here will first be made in this opinion. The limitations of the claims in issue will be decided on the basis of those findings of fact. The accused device will then be examined in the context of the claim construction decisions for purposes of determining whether, as a matter of law, the accused device infringes the LRV patent claims, either literally or under the doctrine of equivalents. Finally, York's request for summary judgment on patent validity will be addressed.

B. *Findings of Fact Pertaining to Claim Construction*

1. LRV is the owner by assignment of United States Patent No. 5,046,775, issued on September 10, 1991 (The '775 Patent). (LX-2.)[7]

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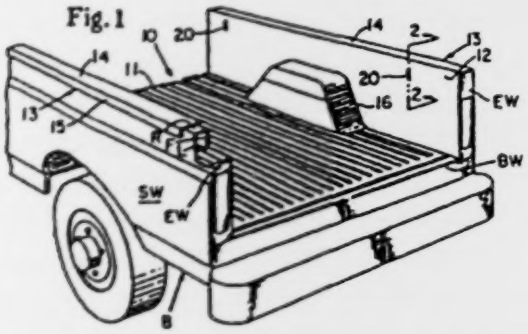
7. The designation "LX" refers to exhibits introduced by LRV at the *Markman* hearing conducted in this matter. The designation "YX" will refer to exhibits introduced by York at the hearing.

Appendix A

2. The subject of the '775 Patent is a fastening device for use in combination with sheet form panels and bedliners for the cargo bodies of pickup trucks.

3. Figure 1 of the '775 patent, reproduced below, depicts a pickup truck cargo bed with a liner installed.



As described at Column 5, lines 23 through 38 of the '775 patent:

> The truck cargo bed B comprises a floor or bottom wall BW and vertically disposed, spaced apart longitudinal sidewalls SW. Each of the cargo sidewalls SW . . . has a top rail R disposed in a generally horizontal plane and projecting a distance inward from the respective vertical portion of the sidewall. Formed with the top rail R at its inner edge is a downwardly projecting flange F having a bottom edge formed with a lip L extending in a direction toward the outer portions of the sidewall SW . . . . [T]he bottom of the flanges F and associated lips L vary as between various makes and models of the trucks . . . .

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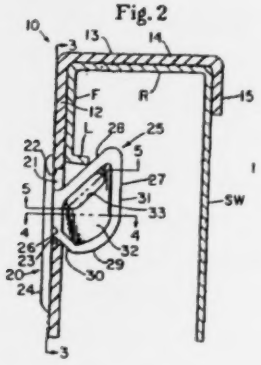
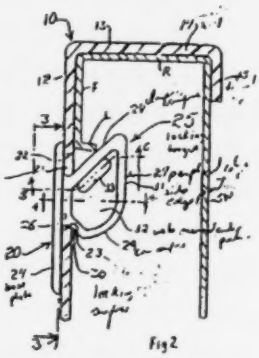
4. The "structural configuration" of the fastening devices claimed in the '775 patent are, according to the patent, "best understood" by reference to Figures 2 to 8. (LX-2, Col. 6, lines 63-66.) With reference to Figure 2, reproduced below along with an annotated version of Figure 2 in the patent application, the fastener is described as follows:





[T]he fastening devices 20 comprise a base plate 24 and a locking tongue 25. The base plate is of a generally rectangular shape in plan view and is of a size to extend laterally outward from each peripheral edge of an aperture 21 with which the fastening device is to be utilized and includes a base surface 26 adapted for positioning in contacting engagement with an opposed surface of the liner sidewall 12.

The locking tongue 25 is carried by a base plate 24 and extends a distance in laterally outward relationship to the base surface 26. It is

advantageously integrally formed with the base plate and is relatively disposed thereto at a generally central location with portions of the base plate thus extending outwardly from the plane of the tongue at each side as well as extending a distance longitudinally from the opposite sides of the tongue . . . . In side elevation, as can be seen in FIG. 2, the tongue 25 is of a complex shape, although somewhat rectangular in its overall configuration, formed with a peripheral edge 27 including three distinct peripheral edge components which are designated as clamping surface 28, cam surface 29 and locking surface 30 which are all arranged in serial relationship with respect to each other. A fourth edge surface designated as side edge portion 31 serves no particular function as to the operation of the tongue and fastening device and merely interconnects between the clamping surface 28 and the arcuate cam surface 29. *The clamping and locking surfaces are both disposed in angled relationship with respect to the base surface 26 and in cooperation therewith define respective throats of V-shaped configuration that are adapted to receive in edgewise relationship the edge portions of the liner 12 and in the case of clamping surface 28 also the flange F and lip L of the cargo bed sidewall. The clamping surface 28 is of a length such that it will be capable of accommodating various dimensional differences between different cargo bed sidewalls provided with the rail and downwardly extending flanges*

and is advantageously oriented at about 45 degrees with respect to the base plate 24. This angular relationship results in creation of essentially equal forces in both vertical and horizontal directions with respect to the positioning of the fastening device on the liner sidewall. The horizontal forces produce a clamping effect as between the liner and the flange and its lip L and also create a vertical force in a downward direction to pull the top portions of the liner such as its top cap 13 and associated flange 14 downwardly into contacting arrangement with the rail R. When assembled with the liner sidewall as shown in FIG. 2, it can be seen that the locking surface 30 which also is at a 45 degree angle to the base plate in this illustrative embodiment is capable of receiving the edge portion of the liner 12 and result in maintaining or locking of the device in this position for securing of the liner to the sidewall of the cargo bed. [LX-2, Col. 7, L. 31, to Col. 8, L. 19; emphasis added.][8]

1. *The Prosecution History*

5. The application for the '775 Patent was filed on April 6, 1990. At the time of its submission, the patent application contained 30 claims. (LX-11.)

6. As to the "field of the invention," the patent application stated:

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8. Emphasis has been added to point out those aspects of the '775 patent that are in controversy here.

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> This invention relates in general to protective liners for the interior of the cargo beds of pickup style trucks. It relates more particularly to a fastener for mechanically securing of a liner to the cargo bed sidewalls and which is of a structure that snaps into a self-locking interference engagement with the liner and sidewall to effect a clamping function. It further relates to a fastener having a configuration such that its application is facilitated through a cam surface arrangement that facilitates the mechanical interengagement of the fastener to the sidewall. [LX-11, Patent App., at 1.]

As to the purpose for the invention, the application explained:

> [O]ne major reason for securing of the liners is that, especially in the instances when no cargo is being carried, movement of the truck results in airflow over the cargo bed that does have a tendency to lift and move the liners which are not particularly heavy and capable of maintaining themselves in the desired positions. Securing of the liners is particularly important with respect to the vertical sidewalls to avoid having them folded and collapsed into the interior of the cargo bed as a consequence of placing the cargo into the cargo bed through movement over the sides of the bed whereby the cargo may engage the liner and otherwise displace it from its desired vertical position.

[*Id.* at 2.]

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7. The application sought to distinguish the subject fastener device from other bedliner fasteners, stating:

> [F]astening devices that have heretofore been utilized have been of a type that either is designed to interfit with existing openings in the truck bed wall or to effect a clamping of the liner to elements of the cargo bed wall. Those devices which utilized openings already formed in the cargo bed have included toggle bolts which have a foldable element that is projected through the openings and thereafter opens to effect a clamping function. Examples of openings that are formed in the cargo bed are the sockets into which stakes of the frequently utilized sidewall extensions are inserted. A disadvantage of that type of fastening device is that it then prevents utilization of the stake socket for attachment of sidewall extensions if those should be desired.
>
> Other devices that have been utilized are of a C-type clamp structure which have a component that overlies the outside of the liner and a cooperating element that is placed within the space between the liner and the cargo bed sidewalls and functions to clamp this liner sidewall to the cargo bed sidewall. A problem with such known clamping devices is that they are difficult to install since they have elements that are positioned within a closed space where it is not possible to visually ascertain the location and functioning of the element to assure that it is

> properly engaged and positioned with respect to the element of the bed sidewall to effect the securing and clamping of the liner. Such clamping devices are also relatively complex in their construction and that complexity adds to their cost. [*Id.* at 3.]

8. The application contained 30 claims. Claims 1 and 27 were independent claims, with Claim 1 describing as the invention a fastener and Claim 27 describing as the invention the combination of a truck cargo bed having a sidewall, a protective liner for the cargo bed, and a fastener containing the elements described in Claim 1. Claims 2 through 26 depended from Claim 1, and Claims 28 through 30 depended from Claim 27. [*Id.* at 25-31.]

9. Claim 1 described the fastener's locking tongue as being of generally planer configuration, having along its periphery a clamping surface, a cam surface and a locking surface, with the cam surface interposed between the clamping and locking surfaces. The clamping and locking surfaces were "disposed in angled relationship" to the base surface of the base plate, and defining in cooperation therewith, respective V-shaped throats opening in relatively opposite directions adapted to receive respective portions of a panel *and a supporting element in edgewise secured relationship* to effect respective clamping and locking functions . . . ." [*Id.* at 25; emphasis added.]

10. The Information Disclosure Statement accompanying the application revealed as prior art several patents for bedliner fasteners, including three patents described by LRV

as disclosing "C-type" clamps. (LX-11, Information Disclosure Statement.) LRV purported to distinguish two of the C-type clamp fasteners as not imparting both horizontal and vertical forces, but only horizontal clamping forces. [*Id.* at 4-5.)

11. By notice dated November 19, 1990, the PTO rejected, *inter alia*, independent Claims 1 and 27 under the second paragraph of 35 U.S.C. § 112, which provides:

> The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

12. In finding that Claim 1 (the fastener claim) did not particularly point out and distinctly claim the subject matter of the purported invention, the PTO examiner explained that, *inter alia*, the "recitation that both V-shaped throats receive portions of a panel and supporting element appears to be incorrect in that, according to the specifications and drawings, *only one of the V-shaped throats receive a supporting element.*" (LX-11, Examiner's Action of 11/19/90, at 3; emphasis added.)[9] The PTO examiner also noted that he did not understand what was meant by the phrase "edgewise secured relationship" used in Claim 1 in describing that the V-shaped throats received the liner panel and cargo bed supporting element to effect locking and clamping functions. (*Id.*)

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9. The "supporting element" is the flange or lip of the flange. The V-shaped throat between the clamping and base surfaces is to receive the "supporting element."

13. Claim 1 was also rejected under 35 U.S.C. § 102(b), which provides:

> A person shall be entitled to a patent unless — (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.

The PTO Examiner found that the LRV fastener had been clearly anticipated by a prior French patent for a plastic panel clip fastening device that included a base plate and clamping, locking and cam surfaces. (*Id.* at 5.)

14. Claim 27 (the combination bedliner/fastener claim) was also rejected under 35 U.S.C. § 103, which provides:

> A patent may not be obtained though the invention is not identically disclosed or described as set forth in Section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertained.

Claim 27 was viewed as unpatentable in view of Patent No. 4,906,040 (the "Edwards Patent"), which concerned a combination truck bedliner and resilient retainer clip. The PTO examiner explained that "[i]t would have been obvious

to one of ordinary skill in the art at the time the invention was made to substitute the [French] fastener clip . . . for that of Edwards as an alternate panel securing arrangement." (*Id.* at 6.)

15. On February 5, 1991, LRV's attorney of record in the patent prosecution, Ronald Snyder, met with the PTO examiner. At this meeting, he submitted a translation of the French patent as well as amended claims. Mr. Snyder also conducted a demonstration of the LRV fastener with a model of a truck bed flange with liner. (LX-12.) In an "Interview Summary Record," the PTO examiner observed that the proposed amended claims appeared "to overcome the rejection under 35 U.S.C. §-112 . . . ." (LX-12.)

16. Shortly after the interview, Mr. Snyder formally submitted the proposed claim amendments along with a statement that, *inter alia*, explained:

> *The mechanical leveraging which causes the clamping surface to bear against the flange to provide both downward and horizontal locking forces is neither taught nor suggested by the [French] references.* (LX-13 at 9; emphasis added.)

17. Amended Claim 1 encompassed Attorney Snyder's observation pertaining to the generation of vertical and horizontal forces. Specifically, Claim 1 was amended by adding that the cam surface "effect[ed] a mechanical leveraging of [the fastener's] tongue, . . . causing said clamping surface to bear against said flange thereby

providing both downward and horizontal locking forces to said panel relative to said supporting element." (LX-13 at 2.)

18. By notice dated April 11, 1991, Claims 1 and 27 (renumbered as Claim 31), as amended, were allowed. (LX-11.) Formal drawings were thereafter substituted for the application's informal drawings, and the '775 patent was issued on September 10, 1991.

2. *The Re-Examination History*

19. Prior to working on the LRV fastener, the inventor of the LRV fastener, Howard W. Marcum, had been involved in developing the design of a bedliner fastener for Futurex Industries. (Tr. 7/1/96 at 194-95.[10])

20. The Futurex fastener had a base plate that was to be applied to the exterior surface of the bedliner. Protruding laterally from the base plate and to be inserted through an aperture in the bedliner was a hook-shaped rod, described as an outwardly extending shank terminating in a hook. The shank extended for a distance perpendicular to the base, with the hook angled inwardly and upwardly. The hook-shaped rod was inserted through a round aperture in the liner and then rotated up into position in proximity to the back end of the flange of the cargo bed rail. The base plate was then secured with a screw through the bedliner. (Tr. 7/1/96 at

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10. The reference "Tr." designates the transcript of the *Markman* hearing, with the date signifying the date on which the testimony was provided.

197-202; YX-4; YX-5.) The following is a depiction of the Futurex fastener:

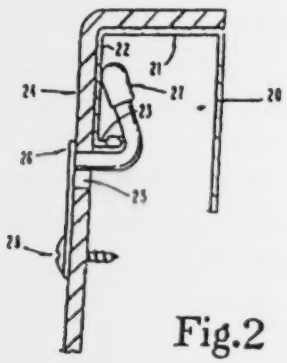

Fig.2

21. In developing the LRV fastener, Marcum was aware that he could not copy the Futurex fastener (Tr. 7/1/96 at 209-10.). The Futurex Fastener, however, was not disclosed in the application for the '775 patent.

22. LRV submitted a request for re-examination of the '775 patent on or about April 1, 1993. As part of the re-examination application, LRV submitted the patent application for the Futurex fastener. (*See* Ex. "C" to LRV's Proposed Findings of Fact (Dkt. Entry 167.)[11]

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11. The Futurex fastener application had been rejected, *inter alia*, as covered by Patent 4,568,572, (Kapp, et al.), which the PTO examiner described as a fastener having a plate to which a shank and hook were attached that could be passed through an aperture in a bedliner to engage the back of the cargo bed rail flange and could be secured to the liner with a screw. (*Id.*, Bates Stamp # F-00042.) It bears noting that LRV was the assignee of the Kapp patent.

24. On re-examination, the PTO examiner did not find the Futurex fastener to be prior art over the invention described in the '775 patent. A re-examination certificate was issued on December 14, 1993. (LX-3 and 11.)

3. *The Patent Claims at Issue Here*

25. Claims 1, 31 and 35 are the independent claims of the '775 patent, with claims numbered 2 through 30 dependent upon, either directly or indirectly, Claim 1, and claims numbered 32 through 34 dependent upon Claim 31. (LX-2.)

26. LRV has asserted infringement of independent Claims 1 and 31 and dependent Claims 5 through 9, 27 and 28 of the '775 Patent. Independent Claim 1 reads as follows:

> 1. A fastener for mechanically securing a sheet-form panel to a supporting element including a flange, said fastener comprising:
>
> a base plate having a base surface for engagement with a surface of a panel to be secured; and
>
> a locking tongue of generally planar configuration attached to said base plate and extending laterally outwardly from said base surface, said tongue having a peripheral edge and further comprising
>
> a clamping surface, a cam surface, and locking surface arranged in series about said peripheral edge with said cam surface interposed between said clamping and locking surfaces.

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said clamping and locking surfaces joined to said base surface in spaced relationship to each other, each of said clamping and locking surfaces disposed in angled relationship to said base surface and defining therewith first and second V-shaped throats extending in relatively opposite directions, said first throat formed between said locking and base surfaces and receiving portions of said panel in edgewise secured relationship to effect a locking engagement in use,

said cam surface being of arcuate configuration and operable to slide over said panel upon insertion of said fastener to facilitate movement of said first V-shaped throat into said locking engagement with said panel and to effect a mechanical leveraging of said tongue and causing said clamping surface to bear against said flange thereby providing both downward and horizontal locking forces to said panel relative to said supporting element. [LX-2, Col. 14, line 64, to Col. 15, line 27, emphasis added.][12]

27. Independent Claim 31, in pertinent part, reads as follows:

> The combination of (1) a truck cargo bed having an interior and a sidewall terminating at an upper longitudinally extending edge in a rail having a substantially vertical flange disposed in inwardly spaced relationship to said sidewall.

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12. The claim language generally in controversy has been underlined.

> (2) a protective liner for said cargo bed having a configuration substantially complemental to the interior of said cargo bed, said liner having a vertically extending sidewall disposed adjacent said cargo bed with an upper marginal edge portion overlying said cargo bed flange in superposed relationship, and an elongated aperture formed in said liner sidewall, said elongated aperture extending a distance downwardly from the bottom edge of the cargo bed flange, and
>
> (3) a fastener for mechanically securing said liner sidewall to said cargo bed flange, said fastener further comprising:
>
> > (a) a base plate having a base surface for engagement with a surface of said liner sidewall to be secured by said fastener to said cargo bed flange, and . . . . [LX-2, Col. 17, line 54, to Col. 18, line 6.]

Claim 31 goes on to describe the locking tongue in terms identical to the description of the locking tongue in Claim 1.

28. In short, claim 1 of the '775 Patent defines a "fastener for mechanically securing a sheet-form panel to a supporting element including a flange."

29. Claim 31 of the '775 Patent defines the combination of a pickup truck cargo bed, a bedliner and a fastener.

Appendix A

II. *DISCUSSION*

York Products and McClarin are Pennsylvania corporations having their principal place of business in Hanover, Pennsylvania. As noted above, McClarin makes bedliners which York sells. York supplies fasteners with some bedliners. The fasteners are made by McClarin. LRV contends that it is these McClarin-made fasteners supplied by York with various bedliners that infringe the '775 patent.

A patent for the accused device was secured by York on September 29, 1992, Patent 5,150,940 (the '940 patent).[13] An illustrative embodiment of the York fastener is set forth in Figure 2B to the '940 patent, which is reproduced below:

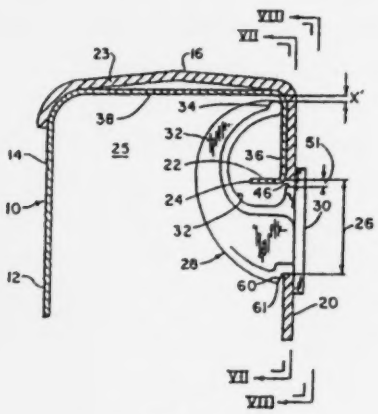

FIG. 2B

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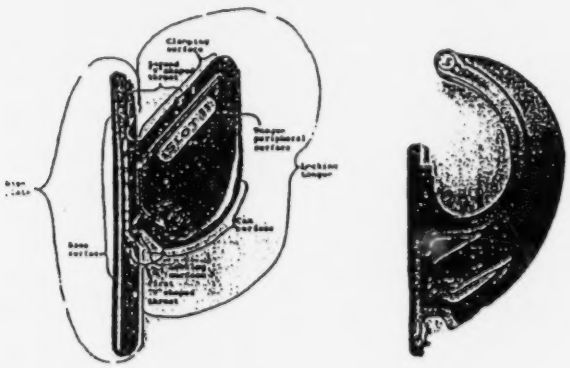
13. York has attached great significance to the fact that it has received a patent for its fastener and the patent has withstood re-examination challenges. The issuance of the patent to York, however, does not insulate it from LRV's infringement claim. As explained in *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 879 (Fed.Cir. 1991), "the existence of one's own patent does not

(Cont'd)

Appendix A

LRV contends that the York fastener depicted above infringes, *inter alia*, Claim 1 of its patent. York denies infringement, arguing, *inter alia*, that (a) its fastener does not have a V-shaped throat between the base plate 30 and the clamping tongue 32; (b) the clamping surface of the '775 patent must be substantially straight, so as to engage the edge portion of the flange of the rail or lip of the flange, an element not present with respect to the clamping tongue 32 on York's fastener; and (c) the clamping tongue on the '775 patent must be disposed at an angle of 45 degrees to the base surface, an angled relationship not duplicated on York's fastener. These limitations as to the second V-shaped throat of Claim 1 are purportedly identified in the annotated photo of an embodiment of the fastener claimed by the '775 Patent shown below on the left. A photo of the accused device is shown on the right for comparison purposes.



(Cont'd)
constitute a defense to infringement of someone else's patent. It is elementary that a patent grants only the right to exclude others and confers no right on its holder to make, use or sell." Indeed, the issuance of a patent to York for its fastener appears to be wholly irrelevant to the LRV infringement contentions. *See, e.g. Chemical Engineering Corp. v. Essef Industries, Inc.*, 795 F.2d 1565, 1569 n. 6 (Fed.Cir. 1986).

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Appendix A

A. Claim Construction.

There are, essentially, three matters in contention with respect to the scope of independent Claim 1 of the '775 patent, all of which revolve around the "V-shaped" throat between the clamping and base surfaces of the fastener. The first dispute concerns whether the term "V-shaped throat" in Claim 1 merely defines a throat area having sloping sides, without regard to whether the angle created at the point of intersection of the sloping sides creates an area resembling the letter "V," as argued by LRV, or whether it defines an angled relationship between the clamping and base surfaces that resembles the letter "V," as argued by York. The second matter in dispute is whether the clamping surface itself must be straight. LRV contends that such a limitation cannot be read into Claim 1, whereas York argues that the clamping surface must be straight in order to enable the fastener to engage the edge of the flange or lip to generate "the necessary downward and horizontal locking forces" as set forth in Claim 1. The final area of dispute pertains to whether the relationship between the clamping and base surfaces must form a 45 degree angle. LRV contends that Claim 1 does not impose such a limitation, whereas York asserts that "[t]he angled relationship between the clamping surface of the tongue and the base surface of the base plate is required to form a 45 degree angle so as to define a V-shaped throat to achieve the intended resolution of forces generated by contact with the flange or lip thereby providing both downward and horizontal locking forces to [the bedliner panel] relative to said supporting element . . . ." (York's Proposed Findings of Fact (Dkt. Entry 154), at ¶ 29.)

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Appendix A

1. *Claim Construction Principles*

As recently observed by the Court in *Markman*, "[v]ictory in an infringement suit requires a finding that the patent claim 'covers the alleged infringer's product or process' which in turn necessitates a determination of 'what the words in the claim mean.' " 116 S.Ct. at 1388. "Since a full and complete understanding of the scope of the claims is requisite to determining whether the patent is infringed, technical terms or words of art or special usages in the claims, if in dispute, are construed or clarified by the court before the construed claims are applied to the accused device." *Multiform Desiccants, Inc. v. Medzam, Ltd.*, __ F.2d __, No. 96-1255, 1274, 1998 WL 15053, *1 (Fed.Cir. Jan. 15, 1998). In determining the scope of a claim, the court is to consider the language of the claim itself, the written specification contained in the patent document, and the patent prosecution history. *Unique Concepts, Inc. v. Brown*, 939 F.2d 1558, 1561 (Fed.Cir. 1991). "The inventor's words that are used to describe the invention — the inventor's lexicography — must be understood and interpreted by the Court as they would be understood and interpreted by a person in that field of technology." *Multiform Desiccants*, 1998 WL 15053, at *3. Extrinsic evidence, such as dictionaries and learned treatises, as well as testimony of the inventor or expert witnesses, may also be considered "in order to aid the court in coming to a correct conclusion as to the 'true meaning of the language employed in the patent.' " *Markman*, 52 F.3d at 980. Extrinsic evidence may also be considered for the purpose of contrasting the prior art at the time of invention. *Id.* But while extrinsic evidence may be considered, it must be borne in mind that "[t]he best source for understanding a

technical term is the specification from which it arose, informed, as needed, by the prosecution history." *Multiform Desiccants*, 1998 WL 15053, at *5. As further explained in *Multiform Desiccants*, "[t]he evolution of restrictions in the claims, in the course of examination in the PTO, reveals how those closest to the patenting process — the inventor and the patent examiner — viewed the subject matter." *Id.* In other words, it is the trial court's function to ascertain the meaning of the claim by examining the claim language in light of the specification and the patent as a whole. *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1269 (Fed.Cir. 1986), *cert. denied*, 479 U.S. 1030 (1987).[14]

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14. The rationale for according primacy to the patent as a whole and its prosecution history over extrinsic evidence was succinctly stated in *Casler v. United States*, 9 U.S.P.Q. 2d 1753, 1764-65 (Ct. Cl. 1988), *aff'd*, 883 F.2d 1026 (Fed.Cir. 1989):

> The specification is 'the primary basis for construing the claims,' because 35 U.S.C. § 112 provides that the specification shall contain 'a written description of the invention . . . in full, clear, concise and exact terms.' The other claims in the patent are potentially important because differences between those claims and the claim in issue can provide crucial clues to claim interpretation. For example, the doctrine of claim differentiation raises a rebuttable presumption that differences in claims are significant and, therefore, that narrow limitations contained in one claim should not be read into other claims in which there is no such limitation. Consideration of the prosecution history of the patent is required because 'the prosecution history . . . limits the interpretation of claims so as to exclude any interpretation that may have been disclaimed or disavowed during prosecution in order to obtain claim allowance.'

Appendix A

2. *The Shape of the "Throat" Formed by the Intersection of the Clamping and Base Surfaces*

The '775 patent inventor chose the term "throat" to describe the area between the base surface and peripheral edge of the clamping surface. As pointed out by LRV, a dictionary definition of throat is as follows:

> **1a.** (1): the part of the neck in front of the spinal column; (2): the passage through the neck to the stomach and lungs;
>
> **b.** (1): VOICE; (2): the seat of the voice
>
> **2.** Something resembling the throat esp. *in being an entrance, a passageway, a constriction, or a narrowed part.*

Merriam Webster's Collegiate Dictionary (10th ed. 1993) (LX-6) (emphasis added).

In the dictionary sense of the term "throat," the area being described could take on many forms, but plainly connotes a constricted area. If the shape of the throat did not matter, there would be no need to qualify it by describing it. In this case, however, the inventor chose to describe the throat area as "V-shaped." On its face, such a description implies two descending lines approaching each other so that the area within the throat becomes narrower as one proceeds through the passageway towards the point of intersection of the two lines. Use of the letter "V" to describe the throat area also implies that the angle between the base and clamping surfaces

would be substantially less than 90 degrees, an angle of approximately 90 degrees more nearly resembling the letter "L."

LRV persists that, because other objects described by the inventor with letter designations do not closely resemble those letters, the inventor did not intend that the throat area closely resemble the letter "V." For example, the inventor described the inside area of a pick up truck cargo bed as a "U shaped structure." (LX-2, Col. 1, I. 22.) LRV also points out that the clamp rod described as J-shaped in the specifications (Col. 12, I. 8) does not have a rounded edge. (Tr., 7/1/96, at 54-55.) This clamp rod is elsewhere described as having an "L-shaped upper portion." (Col. 3, II. 65-66.) Another example cited by LRV is the inventor's use of the phrase "C-type clamp structure" in Col. 2, I. 38 to describe a structure that does not necessarily bear the rounded shape of the Letter "C." (Tr., 7/1/96, at 55-57.) From these examples, LRV argues that the patentor's use of "letter references only generally suggest the shape of the structure to which they refer." (LRV Proposed Findings of Fact and Conclusions of Law (Dkt. Entry 167) at 36.)

But, contrary to LRV's contentions, the devices described by other letter references more closely resemble the structure denoted by those commonly used letters than some other letter. For example, a truck bed certainly resembles more the letter "U" than the letter "V." Thus, while the apex formed at the intersection of the clamping and base surfaces on the LRV fastener described in Claim 1 may be radial in configuration, the overall area of the throat must more nearly resemble the letter "V" than other letters used

by the inventor. In other words, the shape of the throat must more nearly resemble the letter "V" than the letters "C," "L," or "U." The inventor, having defined the throat area as "V-shaped," has excluded by implication other shapes for the throat area.

Each term of the claim should be given meaning. LRV's position essentially reads out of the claim the descriptive modifier of the area between the base and clamping surfaces, which the inventor described as a "throat." The conclusion that the "throat" must resemble the letter "V" is buttressed by the depictions of the LRV fastener in the '775 Patent specification. As indicated by the various depictions of embodiments of the '775 patent shown on pages 9 and 21 of this opinion, the area created by the intersection of the base and clamping surfaces more nearly resembles the letter "V" than any other letter.[15]

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15. LRV, observing that "it is not proper to add an extraneous limitation which may appear in an illustrative embodiment in the specification of the patent to the meaning of the claim itself," (LRV Proposed Findings of Fact and Conclusions of Law (Dkt. Entry 167) at 3), argues that it is inappropriate to confine its fastener to "any particular configuration apart from a structure with sloping sides and some ultimate apex, but not necessarily a pointed apex." (*Id.* at 36.) In this case, however, it is the inventor's chosen terms that limit the configuration of the area between the base and clamping surfaces. While it may not be necessary that the sloping sides form "a pointed apex," it is essential that the descending slopes create an increasingly narrower area as typically formed by the letter "V." Moreover, contrary to LRV's assertion, the testimony of its expert witness on this issue, albeit given from the vantage point of a person that the expert described as one of ordinary skill in the art of the

(Cont'd)

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In *Casler*, *supra*, the court was confronted with conflicting constructions of the phrases "V-shaped grooves" and "generally V-shaped grooves" contained in a patent. The patent holder argued that the term encompassed a groove of "any shape designed and spaced to compressively engage and guide a rolling loop flexture so that rolling contact takes place at the sides and not the bottom or center portions of the grooves and mating loop flextures." 9 U.S.P.Q. 2d at 1765. The accused device had a shallow, concave arc which served as the groove. It did not generally have the appearance of the letter V. *Id.* at 1776. After thoroughly examining the specification, prosecution history and extrinsic evidence, including the testimony of the plaintiff inventor, the court rejected the plaintiff's contention, explaining:

> [P]laintiff errs in contending that the claim terms should be interpreted to encompass 'any shape' groove that performs the function of producing straddled contact with the transfer contact. The claims do not call for 'any shape' groove that performs this function but, to the contrary, require particular shapes — V-shaped . . . , i.e., shaped like . . . the letter V — the 22nd letter in the English alphabet. . . .
>
> * * *

(Cont'd)

patented invention, is not dispositive of what the designation "V shaped throat" denotes. Extrinsic evidence is not binding where, as here, the term used in the claim can be understood from the claim itself and the accompanying specification. *Markman*, 52 F.3d at 981 ("Extrinsic evidence is to be used for the court's understanding of the patent, not for the purpose of varying or contradicting the terms of the claims.").

> [T]he evidence submitted at trial indicates that the claim term "V-shaped groove" should be defined as a groove that (1) has the appearance of the letter V with two sides meeting at an apex, and (2) has an angle sufficiently small to result in the transfer contact being wedged when located between the opposing grooves of the conductive elements.

Id. at 1767, 1768.

In this case, LRV cannot disavow the inventor's use of the term "V-shaped throat." Claim 1 does not call for "any shape" throat. The area between the clamping and base surfaces must have the appearance of the letter V, *i.e.*, two descending slopes intersecting at an apex, with the area between the two slopes becoming increasingly narrower as the apex is approached.

3. *The Shape of the Clamping Surface*

Claim 1 does not describe the shape of the clamping surface. The cam surface is described as being of arcuate configuration, thereby suggesting by negative implication that the clamping surface would not be of arcuate configuration. The preferred embodiment depicted in the specification shows the clamping surface as a straight line.

LRV, pointing out that dependent Claim 2 describes the clamping surface as "substantially straight," argues that the doctrine of claim differentiation precludes a construction of Claim 1 as defining a substantially straight clamping surface.

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The doctrine of claim differentiation "presumes that there is a difference in scope among the claims of a patent." *Multiform Desiccants*, 1988 WL 15053, at *7. But this doctrine "cannot broaden claims beyond their correct scope, determined in light of the specification and the prosecution history and any relevant extrinsic evidence." *Id.*

A pertinent illustration of the doctrine of claim differentiation being overwhelmed by the patent specification and prosecution history may be found in *Tandon Corp. v. United States International Trade Commission*, 831 F.2d 1017 (Fed.Cir. 1987). In that case, Tandon had argued that since a particular claim expressly described a transducer as "non-gimballed," other claims had to be read as encompassing a gimballed transducer. In affirming the rejection of this argument, the Federal Circuit stated, "[w]hether or not claims differ from each other, one cannot interpret a claim to be broader than what is contained in the specification and claims as filed." *Id.* at 1024. The court in *Tandon* also observed that the doctrine of claim differentiation was not violated where the construction relates to only one element of a particular claim so that, when considered as a whole, that particular claim would still differ in scope from the claim being construed. *Id.* at 1023. Finally, the court observed that "two claims which read differently can cover the same subject matter." *Id.*

In the present action, dependent Claim 2 describes the fastener as having a clamping surface that "is substantially straight and is disposed at an angle of about 45 degrees with respect to the base surface . . . ." (LX-2, Col. 15, lines 28-31.) Construing Claim 1 to require a straight line clamping surface

does not violate the doctrine of claim differentiation because the 45 degree angle limitation in Claim 2 leaves Claim 1 with a scope different than that found in Claim 2.

Furthermore, the failure of Claim 1 to describe the clamping surface as straight does not mean that it can take on any shape. Limitations not expressly set forth in a claim may be inferred "when the specification, prosecution history, or other extrinsic evidence demonstrates that the terms actually present in the claim should be interpreted to encompass a term not specifically present." *Casler*, 9 U.S.P.Q.2d at 1768.

In this case, careful consideration of the specification and prosecution history compels the conclusion that the clamping surface described in Claim 1 must be substantially straight. In the specification, the inventor asserts that the fastening device "is shown and is best understood with reference to figures 2 to 8."[16] These figures show a straight line clamping surface. The specification explains that "[t]he clamping surface is *of a length* such that it will be capable of accommodating various dimensional differences between different cargo bed sidewalls provided with the rail and downwardly extending flanges . . . ." The use of the term "length" is important because it denotes a straight line, as opposed to some other geometric shape. It is also significant that the specification does not say that the clamping surface is of a "shape" to accommodate dimensional differences in the flange or lip of the cargo bed rail.

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16. Figure 2 is reproduced above at p. 9.

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Another piece of evidence supporting the conclusion that the clamping surface must be substantially straight is found in the original draft of Claim 1. The inventor stated in the original draft that the clamping surface is disposed in angled relationship to the base surface, creating a V-shaped throat "adapted to receive . . . portions of . . . a supporting element [i.e., flange or lip of the flange] in *edgewise secured relationship* . . . ."[17] The phrase "edgewise secured relationship" clearly suggests that an edge of the clamping surface bears against the free edge of the flange of the truck bed sidewall or the corner edge of a lip on the flange. This description is carried forward to the abstract of the '775 patent, which states that the fastener is designed so as to receive "*edge portions of the* liner and *flange* in clamped relationship . . . ." (LX-2.)

In overcoming the patent examiner's objections to the original application, the inventor distinguished the prior art by asserting that his invention caused "the clamping surface to bear against the flange to provide both downward and horizontal locking forces [which was] neither taught nor suggested by the prior references." (LX-13 at p. 9.) It is this "edgewise secured relationship" between opposing edges of the clamping surface and free end of the flange or lip that the illustrative embodiments depict as creating both horizontal and downward forces. The specification does not teach a clamping surface contacting the back of the flange in a typical C-type clamp arrangement to generate downward forces. On the contrary, the specification clearly describes a

17. The original patent application is a part of LX-11, and the language quoted in the text is taken from page 25 of the original application.

fastener that bears against the edge of the flange or lip of the flange.

Finally, it must be borne in mind that the inventor, while employed by Futurex, had developed a bedliner fastener that was intended to have the clamping element bear against the back of the flange. (Tr. 7/1/96 at 210; a depiction of the Futurex fastener is shown on p. 16 of this opinion.) In the patent application and reexamination application, LRV sought to distinguish C-type clamping devices that bear against the back of the flange. It was the fact that the prior art taught only compressive, horizontal forces, as opposed to the combination of horizontal and downward forces generated by the LRV fastener that, according to LRV, made its invention patentable. While Claim 1 does not say where the fastener's clamping surface is to engage the flange, it cannot be construed as having the clamping surface bear against the back of the flange in light of the inventor's effort to avoid C-type structures.

A fundamental purpose of requiring the patentee to distinctly claim the invention is to apprise others of what remains open to them. *Athletic Alternatives, Inc. v. Prince Mfg., Inc.*, 73 F.3d 1573, 1581 (Fed.Cir. 1996). This important purpose is given recognition by adopting a narrower meaning of a disputed claim "[w]here there is an equal choice between a broader and narrower meaning . . . , and there is an enabling disclosure that indicates that the applicant is at least entitled to a claim having the narrower meaning . . . ." *Id.* In this case, the enabling disclosure clearly defines a straight clamping surface. Nowhere else in the specification or prosecution history is any other shape suggested, and the applicant's efforts to distinguish C-type

clamps indicate that the clamping surface would not take on such a shape. In this case, therefore, construing Claim 1 to limit the clamping surface is consistent with the important purpose of adequately apprising others of what remains open in this field.

In summary, the doctrine of claim differentiation is overwhelmed by the specification, which only defines the clamping surface as a straight line, and the prosecution history, which plainly indicates that the clamping surface is to engage the flange in edgewise secured relationship for the purpose of creating both horizontal and vertical forces. Thus, a conclusion that the clamping surface must be substantially straight is compelled notwithstanding the fact that Claim 1 does not express this limitation and an element of Claim 2 may be rendered redundant thereby.[18]

4. *The Angle Defined by the Intersection of the Clamping and Base Surfaces*

York contends that "[t]he angled relationship between the clamping surface of the tongue and the base surface of the base plate is required to form a 45 degree angle so as to

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18. Contrary to LRV's assertion, the fact that independent Claim 35 describes a fastening device interacting with a flange with a bottom edge formed with an outwardly extending lip does not, by the doctrine of claim differentiation, mean that Claim 1 encompasses a fastener that would bear against the back of the flange as opposed to its leading edge. The important distinction between the fasteners described in Claims 1 and 35 is the requirement that at least a portion of the locking tongue in Claim 35 have a means to resiliently flex. (LX-2, Col. 19, II. 3-4.)

form a V-shaped throat to achieve the intended resolution of forces generated by contact with the flange or lip thereby providing both downward and horizontal locking forces to said panel relative to said supporting element. . . ." (York's Proposed Findings of Fact and Conclusions of Law (Dkt. Entry 154) at ¶ 29.) As LRV points out, however, "Claim 1 of the '775 Patent does not state that the clamping surface must be disposed at an angle of 45 degrees to the base surface of the base plate." (LRV Proposed Findings of Fact and Conclusions of Law (Dkt. Entry 167) at ¶ 55.) The specification does assert that the clamping surface is "advantageously oriented at about 45 degrees with respect to the base plate [to create] essentially equal forces in both vertical and horizontal directions . . . ." (LX-2, Col. 8, II. 2-6.) But the specification does not imply that a 45 degree angle is the *only* angle claimed by the invention. Moreover, the fact that Claim 2 states, in pertinent part, that the clamping surface is "disposed at an angle of about 45 degrees with respect to the base surface . . . ," (LX-2, Col. 15, II. 28-31), supports an interpretation that Claim 1 is not limited to a fastener that has a 45 degree angle between the clamping and base surfaces. So long as the throat created by the inner section of the clamping and base surfaces establishes a V-shaped throat that will enable the clamping surface to engage the flange or lip thereof in edgewise secured relationship, the angle is not significant.

5. *Claim Construction Conclusions*

Having thus considered the language of Claims 1 and 31, the specification, prosecution history, and extrinsic evidence, I construe Claims 1 and 31 to mean a fastener with

a locking tongue having, *inter alia*, a substantially straight clamping surface that is disposed in angular relationship with the base surface so as to form a V-shaped throat for the purpose of engaging the edge of the flange or lip of the flange in edgewise secured relationship.[19]

C. *Infringement Analysis*

"Patent infringement occurs when a device . . . , that is literally covered by the claims or equivalent to the claimed subject matter, is made, used, or sold without the authorization of the patent holder, during the term of the patent," *Multiform Desiccants*, 1998 WL 15053, at *1. "Infringement requires that every limitation of a claim be met in the accused structure either exactly or by an equivalent." *Roton Barrier, Inc. v. The Stanley Works*, 79 F.3d 1112, 1125 (Fed.Cir. 1996). In other words, "[a] device that does not literally infringe a claim may nonetheless infringe under the doctrine of equivalents if every element in the claim is literally or equivalently present in the accused device." *Sage Products, Inc. v. Devon Indus. Inc.*, 126 F.3d 1420, 1423 (Fed.Cir. 1997).

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19. LRV relied heavily on the testimony of a mechanical engineer it called as an expert witness, Dr. James A. Kirk. While his credentials were impressive, I viewed his explanations of the term "V-shaped throat" as strained. His testimony also failed to account for the plain limitations disclosed in the specification and did not adequately reconcile *his* view of the scope of Claim 1 with the specification and prosecution history. As the Federal Circuit has noted, " 'after-the-fact testimony is of little weight compared to the clear import of the patent disclosure itself.' " *Roton Barrier, Inc. v. The Stanley Works*, 79 F.3d 1112, 1116 (Fed.Cir. 1996).

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Claim construction, a function for the court, may be dispositive of literal infringement, "for upon correct construction it may be apparent whether the accused device is within the claims." *Multiform Desiccants*, 1998 WL 15053, at *2. That is, where, as here, the parties' dispute centers on which of several possible meanings is to be given to the language in the patent claim in issue, "the question of literal infringement collapses to one of claim construction and is thus amenable to summary judgment." *Athletic Alternatives, Inc. v. Prince Mfg.*, 73 F.3d 1573, 1578 (Fed.Cir. 1996). It may also be appropriate to determine on a summary judgment motion whether a particular element of a patent claim is equivalently present in the accused device. *See Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 117 S.Ct. 1040, 1053 n. 853 (1997). That is, "[a]lthough equivalents is a factual matter normally reserved for a fact finder, the trial court should grant summary judgment in any case where no reasonable fact finder could find equivalents." *Sage Products*, 126 F.3d at 1423.

In this case, it is evident that, when properly construed, the elements in the LRV patent claims at issue are not present literally or equivalently in the York fastener. The clamping surface of the York fastener, as identified at page 3 of a claim chart attached as exhibit 3 to the report of Dr. James A. Kirk, and reproduced below, is a concave structure, not a straight line.[20]

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20. LRV color-coded its claim chart. For purposes of the reproduction in the text, the area from point A along the locking tongue to point B is identified by LRV as the "clamping surface."

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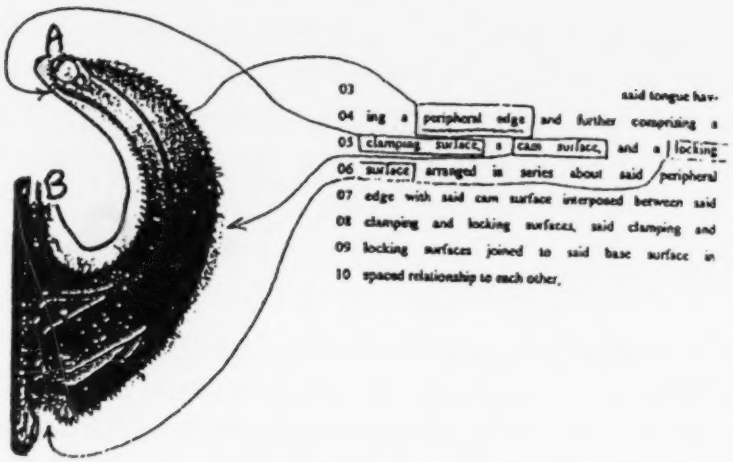

The clamping surface (identified by LRV as the surface from point A to point B) is not disposed in angled relationship to the base surface of the York fastener to form a "V-shaped throat." Instead, the York fastener more nearly resembles the C-type clamp device the LRV sought to avoid. In this regard, the York fastener is intended to engage the back end of the flange, circumventing any lip of the flange, whereas the LRV patent claims an invention that is designed to engage in "edgewise secured relationship" edge portions of the fastener clamping surface and the flange or lip of the flange. Thus, it is apparent that each element of the LRV patent claims in issue here is not present in the accused fastener.

LRV also insists, however, that the accused fastener infringes the '775 Patent under the doctrine of equivalents. Under this doctrine of patent law, "an accused product that differs from the claim, and thus does not literally infringe, nonetheless infringes if its difference from that claim is insubstantial from the perspective of one of ordinary skill in

the relevant art." *Athletic Alternatives*, 73 F.3d at 1581. Whether the difference is insubstantial is generally ascertained by determining whether "the asserted equivalent performs substantially the same function in substantially the same way to accomplish substantially the same result." *Texas Instruments, Inc. v. United States Int'l Trade Comm'n*, 805 F.2d 1558, 1571 (Fed.Cir. 1986).[21]

LRV contends that the York fastener infringes the '775 Patent because it "performs the same function in the same way to achieve the same result as the fastener of the asserted claims of the '775 patent." (Brief in Support of LRV's Summary Judgment Motion (Dkt. Entry 177) at 12.) Specifically, LRV contends that its expert, Dr. James A. Kirk, observed that the clamping element of the York fastener, when engaging the back of the flange, imparts a downward force on the bedliner, as well as a horizontal force between the bedliner and flange.

Dr. Kirk discerned downward forces when he installed the York fastener into a liner that had not been placed in its final position, that is, the flange substantially obstructing the aperture in the liner. As pointed out by York, its fastener installation instructions inform users that the bedliner must be completely installed, with the aperture essentially unobstructed, *before* the fastener is inserted. (A copy of the York installation instructions is reproduced below.)

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21. Satisfaction of this tripartite "function, way, result" test does not necessarily establish infringement under the doctrine of equivalents. *See Roton Barrier*, 79 F.3d at 1126. " '[E]vidence of copying or designing around may also inform the test for infringement under the doctrine.' " *Id.*

Appendix A

DO NOT USE A HAMMER OR ANY TYPE OF IMPACT TOOL TO INSTALL THE "CLIP-LOK"

YORK PRODUCTS, INC.
600 LINDEN AVE • P.O. BOX 454 •
HANOVER, PA 17331 • PHONE (717) 637-7440 •
FAX (717) 637-2097

INSTALLATION OF BEDLINER
"CLIP-LOK" FASTENER
(Patent Pending)

1) Refer to figure 1 (attached). Locate the bedliner in the pick-up truck bed with the front edge of bedliner resting as far towards the front of the bed as possible. Figure 1 shows the bedliner in its relaxed position in the truck. DO NOT ATTEMPT TO INSTALL THE "CLIP-LOK" while the bedliner is in this position. You must enter the truck bed and using your foot, wedged in the bottom corner, directly under the "Clip-Lok" slot, exert force both down and towards the outside of the liner. The top rail of the bedliner should flatten and come to rest on the rail of the truck (as shown in figure 2).

2) Refer to figure 2 (attached). Insert the "Clip-Lok" into the slot as shown. Using your thumb push on the bottom of the "Clip-Lok" where the arrow is shown (figure 2). Continue pushing on the bottom after you feel resistance, until the clip seats over the bottom edge of the slot with a "snap".

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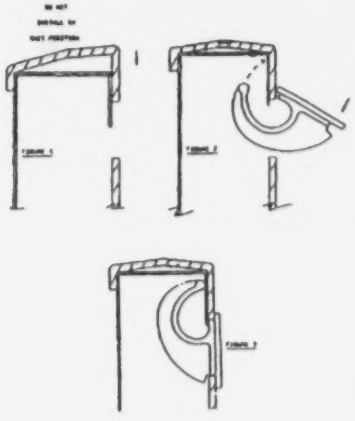
3) Refer to figure 3 (attached). Completed installation of the "Clip-Lok" is shown.



With the liner cap not pressed into this position and the aperture substantially obstructed, the leading edge of the clamping surface on the York fastener is essentially used as a pry bar to force the liner down into position and the fastener into its fully inserted position.[22]

In his "Reply Declaration," Dr. Kirk responded to this criticism by stating:

> When the accused fastener is installed *by following York's own directions*, the fastener exerts a downward locking force against the liner because the liner remains *held down*, below its

22. A review of a videotape presented by LRV confirmed York's assertion that the fastener is used to pry the liner down. LRV's videotape did not show the fastener being installed through an unobstructed aperture or a fully-installed liner.

> pre-installation position. The fact that the liner is *held* down is direct physical evidence that a downward force is being applied to the bedliner and without such downward force, the liner would rise up to its pre-installation position corresponding to Figure 1 of York's installation instructions. [Emphasis in original and added.]

York counters by arguing that the fact that its fastener prevents or limits upward movement does not signify that downward forces are being imparted. Resistance to vertical movement is achieved by clamping the liner to the flange with the fastener. As explained by York:

> The general nature of York's clamping force is similar to that provided by a threaded screw-type clamp fastener or the pinching action of common pliers or a spring-type clothespin. . . . The clamping force of the C-clamp is axial — along the axis of the threaded screw. If the object being held is caused to move by some force (pulled, for example), then the clamping force reacts to prevent such movement. . . . The York fastener is similar in that it exerts a clamping force . . . .

(York's Response to LRV's Summary Judgement Motion (Dkt. Entry 185) at 9-10.)

Whether both fasteners impart "downward" forces is not, however, dispositive, and the parties' dispute on this point does not preclude summary judgment on the equivalence issue. "Equivalence of the subsequently-developed devices

is *not* established by showing only accomplishment of the same result." *Texas Instruments*, 805 F.2d at 1571 (emphasis added). Moreover, " 'the concept of equivalency cannot embrace a structure that is specifically excluded from the scope of claims.' " *Athletic Alternatives*, 73 F.3d at 1582. In this regard, "[e]ach element contained in a patent claim is deemed material to defining the scope of the patented invention, and thus, the doctrine of equivalents must be applied to the individual elements of the claim, not the invention as a whole." *Warner-Jenkinson*, 117 S.Ct. at 1049. "The determination of equivalence should be applied as an objective inquiry on an element-by-element basis." *Id.* at 1054. "An analysis of the role played by each element it the context of the specific patent claim will thus inform the inquiry as to whether a substitute element matches the function, way, and result of the claimed element, or whether the substitute element plays a role substantially different from the claimed element." *Id.*

In *Sage Products*, the Federal Circuit recently applied these principles to reject an infringement by equivalents argument with respect to an accused device that accomplished the same result as that claimed in Patent No. 4,779,782 — disposal of hazardous medical waste into a container without exposing the user to contact with waste already in the container. The independent claim of the '728 patent described a disposal container with "an elongated slot at the top of the container body" and a constricting element "extending *over* said slot." 126 F.3d at 1422 (emphasis added). A complementary second constricting element was beneath the slot. The accused device located the first constricting element below the top of the container. Sage

Products claimed that the accused device's equivalent of the elongated slot claimed by its patent, however, was located below the first constricting element, albeit within the container. Because the elongated slot was within the accused container's body, literal infringement was not present. In holding that the district court properly granted summary judgment in favor of the owner of the accused device on the issue of infringement by equivalents, the Federal Circuit explained:

> In sum, the '728 Patent claims a precise arrangement of structural elements that cooperate in a particular way to achieve a certain result. Devon [the owner of the accused device] achieves a similar result — restricted entry to a medical disposal container — *but it does so by a different arrangement of elements*. Because this issued patent contains clear structural limitations, the public has a right to rely on those limits in conducting its business activities.

Id. at 1425 (emphasis added).

In this case, the '775 patent similarly "claims a precise arrangement of structural elements in a particular way to achieve a certain result." *Id.* Specifically, the '775 patent claims a clamping surface disposed in an angled relationship to the fastener's base surface to define thereby a V-shaped throat for purposes of engaging the flange to provide both downward and horizontal locking forces to the bedliner panel relative to the flange. As claimed by the '775 Patent, the edge of the flange or lip on the flange serves as the fulcrum

for the generation of horizontal *and* vertical forces *during insertion*. The clamping surface of the fastener claimed by the '775 Patent engages the flange or lip in "edgewise secured relationship" — a relationship that York understandably analogizes to a wedge. *See, e.g.*, York's Response to LRV's Summary Judgment Motion (Dkt. Entry 185) at 10 ("To work at all, the '775 fastener requires the presence of the cargo bed rail and must be wedged between the end of the flange or lip and lower end of the aperture in the bedliner."). This result is achieved by having the clamping surface be substantially straight and disposed at an acute angle to the base surface.

York's fastener achieves similar results — securing of the bedliner to the rail of the cargo bed with restriction on vertical movement of the liner — but it does so by a different arrangement of elements and in a different way. First, it does not utilize a V-shaped throat area between the clamping and base surfaces to engage the flange or lip of the flange in edgewise secured relationship. On the contrary, it uses a concave shaped clamping surface to avoid the edge of the flange or lip. Downward forces to the bedliner need not be imparted *during insertion*. As made clear by Dr. Kirk's "Reply Declaration", when the York fastener is installed in accordance with York's instructions, the claimed downward force is the *inability* of the liner to rise up to its pre-installed position. There is thus no need to impart a downward force to the liner during installation. This is in sharp contrast to the way the fastener claimed in the '775 Patent is intended to work.

The York fastener is specifically intended to work in the manner of a C-type clamp. The prosecution history of the '775 Patent indicates the inventor sought to avoid such a fastener arrangement. "The interplay between the doctrine of equivalents and the permissible scope of the claims may be limited by the prosecution history." *Texas Instruments*, 805 F.2d at 1571. In this case, the prosecution history serves to limit the '775 Patent claims to a fastener that is not intended to exert clamping forces between the back of the flange and the face surface of the bedliner.

"[T]he doctrine of equivalents is not a license to ignore or 'erase . . . structural and functional limitations of the claim; limitations 'on which the public is entitled to rely in avoiding infringement.' " *Athletic Alternatives*, 73 F.3d at 1582. "It is important to insure that the application of the doctrine, even as to an individual element, is not allowed such broad play as to effectively eliminate that element in its entirety." *Warner-Jenkinson*, 117 S.Ct. at 1049. LRV's arguments would effectively eliminate the V-shaped throat area limitation expressly articulated in independent Claim 1 and the limitation inherently present in that claim that the clamping surface be substantially straight. Accordingly, York is entitled to summary judgment in its favor on the issue of infringement.

C. *The Validity of the '775 Patent*

The challenges to the validity of the '775 patent claims at issue here were succinctly stated at pages 32 and 33 of the Reply Brief submitted in support of York's Summary Judgment Motion (Dkt. Entry 180):

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> Claim 1 of the '775 patent is invalid for failure to recite an *aperture* in the panel which must be present in order to insure that the clip when combined with the sheet form panel of claim 1 is operative. Claims 1 and 31 are also invalid under § 112 for failure to recite a necessary and critical spaced relationship which must be present between the flange or lip and the lower edge of the aperture so that the tongue can function to generate both vertical and horizontal locking forces. The claim is incomplete, indefinite and there is no enablement. Claim 1 also is invalid because it is inoperable if no lip is present (if the flange is lipless). [Emphasis in original].

Essentially, therefore, York's arguments implicate (a) the first paragraph of 35 U.S.C. § 112, which requires a sufficiently precise disclosure of the invention to enable one skilled in the relevant art to practice it; (b) the second paragraph of § 112, which requires that the patent conclude with "one or more claims particularly pointing out and distinctly claiming the subject matter" which the applicant regards as his invention; and (c) the operability of the invention as required by 35 U.S.C. § 101 and § 112.

York's challenges to Claims 1 and 31 of the '775 patent and the claims that are dependent thereon must overcome a statutory presumption of validity. *See* 35 U.S.C. § 282. The burden is on York to establish invalidity by clear and convincing evidence. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed.Cir. 1988). The statutory presumption of validity "is applicable to all of the many bases for challenging a

patent's validity." *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1570 (Fed.Cir.), *cert. denied*, 481 U.S. 1052 (1987). Thus, in this case, York's challenge must overcome the statutory presumption that (a) the specification to the '775 patent does indeed contain a written description of the invention that is sufficiently full, clear, concise and exact so as to enable one skilled in the art to make and use the invention as required by the first paragraph of 35 U.S.C. § 112; (b) that the challenged claims do indeed particularly point out and distinctly claim the subject matter which LRV regards as its invention, as required by the second paragraph of § 112; and (c) that the challenged claims describe operable fasteners, as required by 35 U.S.C. §§ 101 and 112.

To the extent that York's challenge to the '775 patent is based on the first paragraph to 35 U.S.C. § 112 concerning the adequacy of the written specification to describe the invention to enable a person skilled in the art to practice the invention (the enablement clause) — the following principles pertain:

> Invalidity for lack of enablement is a conclusion of law and must be supported by facts proved by convincing evidence for the grant of the patent by the PTO carries with it the presumption of validity, including compliance with § 112.
>
> A decision on the issue of enablement requires a determination of whether a person skilled in the pertinent art, using the knowledge available to such a person and the disclosure in the patent document, could make and use the invention

> without undue experimentation. It is not fatal if some experimentation is needed, for the patent document is not intended to be a product specification.

Northern Telecom, Inc. v. Data Point Corp., 908 F.2d 931, 941 (Fed.Cir.), *cert. denied*, 498 U.S. 920 (1990).

York has failed to present any evidence that one skilled in the art could not practice the invention described in the specification to the '775 patent. Instead, it merely asserts that "what is critical but never defined in the claims or taught in the specification is that the space relationship between the lower end of the bedliner aperture and the free end of the flange or lip is an essential, critical part of the structure for the fastener to be operative. (Brief in Support of Summary Judgment (Dkt. Entry 28) at 9-10.) LRV has countered with the Declaration of Dr. Kirk, who observes that "[o]ne skilled in the art of the invention to which the patent pertains would know how to make and use the invention based on a review of the disclosure of the '775 Patent . . . ." (Exhibit 5 to the Appendix to LRV's Brief in Opposition to York's Summary Judgment Motion (Dkt. Entry 168) at ¶ 80.) He further states that "[o]ne skilled in the art would know how to located the aperture through which the fastener is inserted so as to secure the panel to the supporting element." (*Id.*, ¶ 31.) Plainly, York has not presented clear and convincing evidence on the enablement issue, and the Declaration of Dr. Kirk, as LRV observes, makes a summary judgment ruling on this issue in favor of York wholly inappropriate. (LRV Brief in Opposition to York's Summary Judgment Motion (Dkt. Entry 166) at 30.)

Appendix A

With respect to York's challenge to the precision and definiteness of the language in Claims 1 and 31 of the '775 patent, the following principles apply:

> The 'distinctly claiming' requirement means that the claims must have a clear and definite meaning when construed in the light of the complete patent document. Section 112 thus insures definiteness of claim language.
>
> The test for definiteness is whether one skilled in the art would understand the bounds of the claim when read in light of the specification. If the claims read in light of the specification reasonably apprise those skilled in the art of the scope of the invention, § 112 demands no more. The degree of precision necessary for adequate claims is a function of the nature of the subject matter.

Miles Laboratories, Inc. v. Shandon, Inc., 997 F.2d 870-875 (Fed.Cir. 1993), *cert. denied*, 510 U.S. 1100 (1994).

York's challenge to the validity of the patent claims based on the second paragraph of § 112 is not altogether clear. Apparently, York complains that the description of the cam surface of the claimed invention "sliding over" the bedliner panel to "effect a mechanical leveraging" of the locking tongue is imprecise and not clarified by the specification. Other than references to that part of the prosecution history that concerned a presentation made by Attorney Snyder, during which he explained the mechanical leveraging effected by the cam surface sliding over the liner

panel (*See* York's Statement in Response to LRV's Statement of the Scope of the Patent Claim (Dkt. Entry 144) at 20-21), York has not submitted any evidence to support its challenge to the definiteness and precision of the claim language. LRV has responded on this issue with the Declaration of Dr. Kirk. Moreover, an independent review of the specification plainly reveals that the cam surface of the fastener is intended to slide over the lower end of the aperture in the bedliner to effect a mechanical leveraging of the clamping surface against the free edge of the flange or lip. The fact that certain language, such as "slide over the panel" or "mechanical leveraging," are not included in the specification is not dispositive. " 'The claimed subject matter need not be described *in haec verba* in the specification in order for that specification to satisfy the description requirement.' " *In re Wright*, 866 F.2d 422, 425 (Fed.Cir. 1989). Plainly, York is not entitled to summary judgment with respect to paragraph 2 of § 112.

York's arguments with respect to the operability objection essentially pertain to a lipless flange. York contends that the clamping surface cannot bear against the free end of the flange and under those circumstances is inoperable.[23]

LRV has responded with the Declaration of Dr. Kirk, who asserts that he has used the commercial embodiment of the fastener covered by the '775 Patent and that he has observed that it "secures the bedliner to the cargo bed of the

---

23. It should be noted that Claim 35 of the'775 patent specifically includes a flange with a lip. LRV does not challenge Claim 35.

pickup truck effectively." (Kirk Declaration, ¶ 79.) LRV has also submitted the declaration of its chief operating officer, who has asserted that LRV has not received any complaint pertaining to the operability of the fastener notwithstanding the fact that more than 3 million fasteners have been distributed with bedliners sold by LRV. (Declaration of Kenneth E. Leffel, ¶ 2, attached to the LRV Appendix in Opposition to York's Summary Judgment Motion at Tab 13.) Under these circumstances, it cannot be concluded as a matter of law that York has established by clear and convincing evidence that the fasteners described in Claims 1 and 31 of the '775 Patent are not operable.[24]

III. *CONCLUSION*

Application of the pertinent principles of claim construction compels the conclusion that Claims 1 and 31 of the '775 Patent disclose a fastener that has a clamping surface that is substantially straight and intersects with the base surface of the fastener to form a V-shaped throat that enables the clamping surface to engage edge portions of the flange or lip in edgewise secured relationship for purposes of effecting horizontal and vertical forces between the bedliner and flange. The York fastener does not infringe these claims, either literally or equivalently, because the clamping surface of the York fastener is concave, does not intersect with the base surface to form a V-shaped throat, and is

---

24. I am inclined to hold that no reasonable juror could find the LRV patent claims invalid on the grounds advanced by York. LRV, however, has not moved for summary judgment on the validity issue, and I am reluctant to decide this matter adverse to York in the absence of such a motion.

intended to circumvent the free end of the flange or lip. Accordingly, York is entitled to summary judgment in its favor on the infringement issue. Because, however, York has not shown that the undisputed facts of record show clearly and convincingly that the claims of the '775 patent in issue are invalid, its motion for summary judgment as to validity must be denied. An appropriate Order is attached.

s/ Thomas I. Vanaskie
Thomas I. Vanaskie
United States District Judge

Appendix A

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

3:CV-93-0442
(JUDGE VANASKIE)

McCLARIN PLASTICS, INC., et al.

Plaintiffs

v.

LRV ACQUISITION CORPORATION

Defendant

ORDER

NOW, THIS 25th DAY OF FEBRUARY, 1998, for the reasons set forth in the foregoing memorandum **IT IS HEREBY ORDERED THAT:**

1. The motion of McClarin Plastics, Inc. and York Products, Inc. for summary judgment on the issues of infringement and validity (Dkt. Entry 145) is **GRANTED** as to infringement and **DENIED** as to the claimed invalidity of the patent in question.

2. The accused fasteners of McClarin Plastics, Inc. and York Products, Inc. do ***not*** infringe Patent 5,046,775.

Appendix A

3. The motion of LRV Acquisition Corporation for summary judgment on the issue of infringement (Dkt. Entry 176) is **DENIED.**

s/ Thomas I. Vanaskie
Thomas I. Vanaskie
United States District Judge

APPENDIX B — ORDER AND JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF PENNSYLVANIA DATED AND FILED APRIL 29, 1998

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

3:CV-93-0442
(HON. THOMAS I. VANASKIE)

McCLARIN PLASTICS, INC., et al.

Plaintiffs

v.

LRV ACQUISITION CORPORATION

Defendant

ORDER

April 29, 1998

THE BACKGROUND OF THIS ORDER IS AS FOLLOWS:

In a comprehensive Memorandum and Order filed on February 25, 1998, the motion of McClarin Plastics, Inc. (McClarin) and York Products, Inc. for summary judgment on the patent infringement claim of LRV Acquisition Corporation (LRV) was granted. The motion for summary

judgment of McClarin and York Products on the invalidity of the LRV patent, however, was denied. In footnote 24 of that Memorandum decision, I observed that LRV may be entitled to judgment in its favor on the validity question, but deferred ruling in favor of LRV because it had not sought summary judgment on that question. Thereafter, LRV moved for summary judgment on the validity issue. (Dkt. Entry 206.) In their papers opposing the summary judgment motion, McClarin and York Products questioned the justiciability of the patent validity issue.

York Products had raised invalidity only as an affirmative defense to LRV's infringement claim. The determination of non-infringement embodied in the February 25, 1998 Memorandum opinion obviated ruling on this affirmative defense.

McClarin had filed a declaratory judgment action, seeking, *inter alia*, a decree that the LRV patent was invalid. McClarin, however, neither manufactures nor sells the accused infringing device, and McClarin itself suggested that it lacked standing to pursue the validity issue in light of the non-infringement decree. In its reply memorandum, LRV suggested that McClarin's request for a declaratory judgment as to patent invalidity could be dismissed for lack of subject matter jurisdiction.

At oral argument on April 28, 1998, neither party argued that McClarin's request for declaratory relief as to patent validity remained justiciable. In light of these circumstances, I indicated that McClarin's request for declaratory relief would be dismissed for lack of subject matter jurisdiction

and LRV's motion for summary judgment dismissed as moot.[1]

Following oral argument, the motion of McClarin and York Products for recovery of attorneys' fees under 35 U.S.C. § 285 was denied. The record of the transcribed oral argument sets forth the rationale for concluding that this case is not the "exceptional" one that authorizes allowance of counsel fees to the prevailing party. In addition, as I explained at the conclusion of oral argument, the factual predicate for this conclusion is contained in both the February 25, 1998 Memorandum decision, which resolved certain patent claim interpretation issues adverse to LRV, as well as the Memorandum opinion of March 5, 1998, which granted LRV's motion for summary judgment on the counterclaim of York Products that was essentially grounded on the unsubstantiated assertion that LRV's commencement of and conduct during this litigation was in bad faith.

Therefore, in accordance with the foregoing and for the reasons set forth on the record following oral argument held on April 28, 1998, **IT IS HEREBY ORDERED THAT:**

1. The request of McClarin Plastics, Inc. for a declaratory judgment that the LRV Acquisition Corporation patent in question is invalid is **DISMISSED FOR LACK OF A LIVE CASE OR CONTROVERSY.**

---

1. I also indicated that, if subject matter jurisdiction existed, I would exercise my discretion to decline to rule on the patent validity issue. *See Phonometrics, Inc. v. Northern Telecom Inc.*, 133 F.3d 1459, 1468 (Fed. Cir. 1998).

2. LRV Acquisition Corporation's motion for summary judgment on the validity of the patent question (Dkt. Entry 206) is **DISMISSED AS MOOT.**

3. The motion of McClarin Plastics, Inc. and York Products, Inc. for recovery of attorneys' fees under 35 U.S.C. § 285 (Dkt. Entry 210) is **DENIED.**

4. In accordance with the February 25 and March 5, 1998 Memorandum and Orders and this Order, the Clerk of Court is directed to enter judgment in favor of McClarin Plastics, Inc. and York Products, Inc. on LRV Acquisition Corporation's claim of patent infringement. The Clerk of Court is further directed to enter judgment in favor of LRV Acquisition Corporation and against York Products, Inc. on the counterclaim of York Products, Inc.

5. The Clerk of Court is directed to mark this matter **CLOSED.**

s/ Thomas I. Vanaskie
Thomas I. Vanaskie
United States District Judge

Appendix B

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF PENNSYLVANIA

CASE NUMBER: 1:93-cv-00442

McClarin Plastics

Plaintiff

v.

LRV Acquisition Corp

Defendant

JUDGMENT IN A CIVIL CASE

* * *

☒ Decision by Court. This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered per Court Order dated April 29, 1998.

IT IS ORDERED AND ADJUDGED THAT JUDGMENT BE AND HEREBY IS ENTERED in favor of McClarin Plastics, Inc. and York Products, Inc. on LRV Acquisition Corporation's claim of patent infringement.

IT IS FURTHER ORDERED AND ADJUDGED THAT JUDGMENT BE AND HEREBY IS ENTERED in favor of

Appendix B

LRV Acquisition Corporation and against York Products, Inc. on the counterclaim of York Products, Inc.

April 29, 1998
Date

MARY E. D'ANDREA
Clerk

s/ Anne Dawold
(By) Deputy Clerk

APPENDIX C — EXCERPTS FROM ORAL ARGUMENT TRANSCRIPT AND RULING OF THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF PENNSYLVANIA BEFORE HONORABLE THOMAS I. VANASKIE DENYING ATTORNEY'S FEES UNDER 35 U.S.C. § 285 DATED APRIL 28, 1998

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

CIVIL NUMBER 93-CV-442

McCLARIN PLASTICS, INC., and
YORK PRODUCTS, INC.,

Plaintiffs

VS

LRV ACQUISITION CORPORATION,

Defendant

BEFORE: HONORABLE THOMAS I. VANASKIE
United States District Judge
For the Middle District
of Pennsylvania

Oral Argument

Tuesday, April 28, 1998

Scranton, Pennsylvania

* * *

Appendix C

[2] THE COURT: All right. Good afternoon. We've got two motions to hear argument on, the first of which is the Motion for Summary Judgment that's been filed on behalf of LRV. I have some specific questions to ask, with respect to that.

First, Mr. Hasley, York only raised the validity question, by way of affirmative defense?

MR. HASLEY: Correct, Your Honor.

THE COURT: Are you conceding McClarin, in light of the non-infringement ruling, does not have standing, at the present time, to pursue?

MR. HASLEY: I've made that statement or something similar to that in one of our briefs.

THE COURT: Yes.

MR. HASLEY: I questioned, once we had reached a non-infringement decision, pre-trial, that we would have any standing to proceed further.

THE COURT: Yes. And it's, at least, the position of McClarin that they neither make nor sell the fastener in question?

MR. HASLEY: Right.

THE COURT: In light of those representations, Mr. Stover, is there standing for McClarin to — is there a live case or controversy for me —

MR. STOVER: Our position on that, as we've [3] stated in our briefs, Your Honor, is that given the concessions or admissions, which are contained in the McClarin brief, on this point, it would appear to us that there is a lack of standing, in the existing case, of controversy. To that end, it seems to us the Court can grant dismissal on that ground.

We're prepared, of course, to address the other merits of the Summary Judgment Motion, if the Court wishes us to do so.

THE COURT: Anything else, Mr. Hasley?

MR. HASLEY: As I've explained in the papers, and I just want to be cautious, that the issue of validity is moot, simply, because of the non-infringement finding. If, for example, LRV intends to appeal and we would, somehow, find ourself back in court, we would certainly want the right to argue, again, that as a matter of law, the LRV patent is invalid.

* * *

[32] * * *

THE COURT: All right, let me say, I alerted you that when I scheduled this for oral argument, I had somewhat of an alterior purpose that I announced, and that was that I intended to reach a prompt resolution of these matters. We've resolved the Motion for Summary Judgment, based upon the briefs, really, and I am, now, going to decide and deny the Motion for Fees, under Section 285. I know the diligence

with which the argument has been pursued, from the time that I've superintended this case, the arguments being pursued on both sides, the diligence, and both in terms of whether there was infringement and the argument Mr. Hasley makes, very well, and very articulately, that, in his judgment, this has always been a frivolous claim.

But I did work hard on this case, and I did come to conclusions that I wasn't shy about disclosing, and [33] that is, that in my judgment, it was a close case. I believe that the standard for determining whether this is an exceptional case is that which was related by Mr. Stover and is taken from the Machinery Corporation case, and that there must be either proof of actual, wrongful intent or gross negligence, and I don't find wrongful intent in bringing this action, on the part of LRV, and nor do I find there to have been gross negligence.

And I've set forth, basically, my analysis, in the March 5, 1998 decision that denied — or that granted Summary Judgment on the Counterclaim of Unfair Competition Trade Disparagement and Tortious Interference, with existing and prospective business relationships, and that analysis applies fully, here. I made the point, in the March 5th decision, that one of the cases on which McClarin and York were relying was, indeed, a Section 285 case, in terms of the standard that it said should be applied, here, and I determined that there was no bad faith or there wasn't evidence of bad faith conduct, on the part of LRV, sufficient to defeat Summary Judgment, and I don't think there's sufficient evidence of bad faith on the record, here, on the Section 285 motion, to warrant fees being imposed against LRV.

Appendix C

I've seen the demonstration, before, that Mr. Hasley made, here, and it is not an unimpressive [34] demonstration. I recall you doing that, Mr. Hasley, back in June of '94, I think it was, when we had our first oral argument in this matter. But I've, also, always been impressed by the argument that whether there's infringement isn't to be determined, simply, by comparing the commercial embodiment of the patent and the accused device, instead, the accused device has to be — infringement by the accused device has to be measured against the language of the claims, as properly interpreted.

And there was, as I have said in the opinions, before, a reasonably plausible argument advanced, on behalf of LRV, as to why each and every element set forth in the pertinent claims was found — claimed to be present in the accused device. Ultimately, the claim language had to be interpreted, some specific terms had to be construed, and it was the construction I placed on those terms that led me to the conclusion of non-infringement. But the position taken is by LRV, at the inception, that is, Mr. Snyder's letter of April 20, 1992, and the analysis he went through, comparing the accused device with the language of the claim, was very similar to the approach taken throughout this litigation, ultimately, not successful, but the fact it was not successful did not make it unreasonable, nor one that could be said was frivolous, advanced in a grossly negligent manner, or for an improper purpose.

[35] So at its inception, I find no clear and convincing evidence of gross negligence or bad faith, on the part of LRV, and during the prosecution of this case, I find no clear and

convincing evidence, no evidence of — I'll amend that statement to say — no evidence of bad faith conduct or vexatious conduct, on the part of LRV. It is true that, ultimately, Mr. Hasley, you prevailed in arguments that the Court should determine, as a matter of law, the scope of the claims, but not only me, but a Judge in Ohio, as I recall, initially, questioned whether that was our determination to make or a jury's determination to make, and, frankly, the law in the Federal Circuit wasn't that clear on the point and wasn't clear, until the Supreme Court made it clear, in Markman.

And neither side — well, in any litigation, both sides have a right to vigorous representation of counsel, zealous representation of counsel, and I saw that evident, in this case. That's not to mean a party is wrong for the zeal with which they've pursued their position. In one respect, I have a young lawyer sitting, here, to my left, who could learn a lot from both counsel, in this case, or both sides, in this case, in terms of zealous advocacy, because Mr. Hasley was extremely zealous in pursuing, on a repeated basis, the argument that claims should be construed, as a matter of law, and determined, as a matter of law, to [36] the point where several Motions for Summary Judgment were filed, at any appropriate procedural posture, I would say, Summary Judgment was sought, on that issue, and while that was certainly a right that Mr. Hasley had and a right that his clients had, that, also, causes delay and expense in litigation and, sometimes, zealous advocacy does that.

This is — Section 285 is an exception to the American rule, the rule does not mean that a prevailing party is entitled

to recover fees, it has to be an exceptional case, and I do not find this to be an exceptional case. It is extremely unfortunate that so much money has been spent on this case, but there is no rule that says that the larger of the two entities involved in the lawsuit must absorb the fees and costs, and I'm not unsympathetic to how this impacts a small business, but the fact that it's a small business, does not mean it's entitled to recover its fees, when, ultimately, it prevails. So I think those are adequate reasons for explaining my decision, here.

I incorporate, by reference, the memorandum of March 5, 1998 and the decision that issued, back on February 25, '98, because I think they set forth the factual underpinnings for this decision and for the ultimate conclusion I reach that this is not an exceptional case, either at its inception or in the manner in which it was litigated. I would urge both sides to, finally, put to rest [37] this matter that has pended for quite sometime, now, for five years. Obviously, reasonable minds can differ over my decision, I hope I'm, at least, alive enough to know that and that this decision doesn't have to be the final end, and it could go up on appeal and Appellate Court could disagree with some or all of my conclusions, either, on infringement or on Section 285 fees or on these other issues.

But it does seem to me that there is, also, an appropriate time for litigation to come to an end, and, hopefully, this case has reached that point. I will say that to the extent that the Federal Circuit has a rule similar to the Third Circuit's, I'll reserve the right to write a more formal opinion on this Section 285 issue, if I consider it appropriate, if an appeal is filed. If it does not have such a rule, then, obviously, this

will constitute my findings of fact and conclusions of law on the Section 285 issue. Judgment will be entered accordingly, so that either side, now, will have the clock running, with respect to filing appeals. Thank you very much.

(At this time the proceedings were adjourned.)

* * * *

APPENDIX D — EXCERPTS FROM PLAINTIFFS' BRIEF IN OPPOSITION TO MOTION FOR SUMMARY JUDGMENT THAT LRV'S PATENT IS VALID AND SUGGESTION FOR RECONSIDERATION DATED APRIL 8, 1998

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

CASE NO. 1:CV-93-0442
Judge Thomas I. Vanaskie

MCCLARIN PLASTICS, INC. and
YORK PRODUCTS, INC.,

Plaintiffs,

v.

LRV ACQUISITION CORPORATION,

Defendant and
Counterclaimant.

PLAINTIFFS' BRIEF IN OPPOSITION TO MOTION FOR SUMMARY JUDGMENT THAT LRV'S PATENT IS VALID AND SUGGESTION FOR RECONSIDERATION

INTRODUCTION

Plaintiffs submit that whether or not LRV's patent is valid need not be reached. The validity of LRV's patent is of no interest to plaintiffs unless the Court's ruling on infringement is reversed even though they submit claims 1 and 31, and the claims dependent thereon are invalid.

Appendix D

Plaintiffs incorporate by reference Exhibits 1 through 5 submitted in their appendix to defeat the Motion and support invalidity.

In the Ohio case, York raised the issues of non-infringement and patent invalidity in answer to LRV's complaint. Because York has prevailed on its defense of non-infringement, its defense of patent invalidity is believed moot. Without a basis to allege infringement or threaten York with suit York has no controversy with LRV to litigate. McClarin's situation is the same.

[2] However, in Pennsylvania McClarin filed a declaratory judgment action to have declared that York's fastener did not infringe or that LRV's patent is invalid. The infringement ruling removed that issue and McClarin, that neither makes or sells York fasteners questions that it now has standing to obtain a ruling on invalidity unless the Court's ruling on infringement is reversed. At present, McClarin has no case or controversy over the validity of LRV's patent.[1]

And, LRV has no standing to obtain an advisory opinion that its patent is valid.

* * * *

1. In *Linderman Maschinenfabrik GMBA v. American Hoist and Derrick Co.*, 730 F.2d 1452, 1463 (Fed. Cir. 1984), *appeal after remand*, 895 F.2d 1403, the court clearly indicated that a district court should decide both issues when they are raised in the same proceeding; however, in that case the trial court heard both issues in a bench trial. Here, the issue of infringement was decided on motion before trial; hence, the same reasoning is believed inapplicable.

(3)

No. 99-767

Supreme Court, U.S.
FILED
DEC 13 1999
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

YORK PRODUCTS, INC. and McCLARIN PLASTICS, INC.,

Petitioners,

v.

LRV ACQUISITION CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR PETITIONERS

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35 U.S.C. § 112. 2

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35 U.S.C. § 285. 4

As explained hereinafter, the "questions presented" of Respondent LRV are certainly not the questions for which review is requested.

To begin with, it is to be noted that LRV has not, as indeed it cannot, contradict or dispute the succinct statement of the case, proceedings and facts, including the issues of infringement and validity, presented on pages 1-12 of the Petition. Instead, LRV attempts to justify the result in the District Court and CAFC by arguing that York and McClarin waived their right to review of patent invalidity and both the District Court and Federal Circuit only applied "controlling state law" to dismiss York's counterclaim. Those arguments are without merit.

FURTHER REASONS FOR GRANTING THE WRIT

I. LRV's First Argument

LRV's first argument, summarized at page 1 of LRV's Reply, boldly charges, "[York] did not pursue a counterclaim seeking a declaration of invalidity" when that is plainly incorrect. The record is indisputable that York pursued its counterclaim for unfair competition including the specific issue of invalidity as well as non-infringement and despite York's opposition and the submission of substantial evidence[1] from which a jury could find in favor of York on the issue, the District Court denied York the right to trial by jury. On March 4, 1998, the District Court ruled in favor of LRV on its motion for summary judgment dismissing York's

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[1] The evidence included two detailed written analyses provided to LRV before it filed suit that York's fastener did not infringe and moreover, LRV's patent was invalid. Assuming York established LRV's patent was invalid as well as not infringed a reasonable jury could readily find LRV's suit was objectively baseless when filed because LRV knew or should have known the charge of infringement was baseless when made. LRV never came forth with a pre-suit competent opinion to contradict those two analyses.

counterclaim. See App. B at 11a and Order of April 29, 1998, at R.B. App. B, 63a.[2]

To prove that the issue of patent invalidity was encompassed in York's counterclaim, one need only refer to the record, more particularly ¶ 4 of York's counterclaim, and the District Court's Memorandum and Order of March 4, 1998 in favor of LRV. (App. B, 11a). Paragraph 4 of York's Counterclaim states as follows:

> 4. Prior to filing the Complaint LRV, . . . [was] on actual and/or constructive notice that York's Clip-Lok fastener did not infringe the '775 patent and further, that the '775 patent was obtained without complying with the requirements of 35 U.S.C. § 112.

Failure to comply with § 112 renders a patent invalid which is what York intended to prove and the expert witness reports explained. That the District Court recognized that York intended to prove LRV's patent invalid as part of the counterclaim is established by reading the beginning of the Court's Memorandum (App. B, 11a), "These claims . . . are based on bad faith litigation [by LRV] for suing on a patent that is not infringed and is invalid . . .". While the District Court did little more other than to mention invalidity as an issue in the counterclaim, earlier the District Court agreed with LRV that the issue of validity could not be decided on summary judgment in favor of York and McClarin because there was a genuine dispute of material fact. *See* Petitioner's Brief, footnote 6 at page 4 quoting from LRV's Brief in Opposition.

On York's appeal to the CAFC, LRV did not contend that the court lacked jurisdiction to review the invalidity issue

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[2] Hereinafter reference to the appendix to LRV's Brief in Opposition is designated as R.B.App. followed by the appendix identification and page number, for example, R.B.App.1a or simply as LRV's appendix.

raised by York, rather in its brief LRV argued the following points with regard to the issue:

> 2. Whether McClarin/York have failed to offer any clear and convincing evidence that a person of ordinary skill in the art of the invention of the '775 Patent could not make or use the invention without undue experimentation or could not understand the claims of the patent when read in the light of the specification?
>
> 3. Whether McClarin/York have failed to offer any clear and convincing evidence of inoperability of the invention of the '775 Patent?

The record is indisputable that the CAFC decided that it lacked jurisdiction to decide patent invalidity without even a suggestion to do so from LRV and certainly not from York or McClarin.

Now, trying to take advantage of the result and avoid having the case returned to the Federal Circuit to review whether or not LRV's patent is invalid as a matter of law or to proceed to trial of the issue, LRV attempts to support and justify the result by reference to an event in the District Court that is both irrelevant and immaterial.

To set matters straight one need only review the chronology of events and rulings of the District Court.

On August 14, 1992, LRV filed suit in Ohio against York for infringement. In this action York filed a counterclaim.

On March 29, 1993, McClarin filed suit in Pennsylvania against LRV and LRV filed a counterclaim.

On August 19, 1993, LRV added McClarin as a defendant in the Ohio case.

On February 25, 1998, the District Court ruled in a Memorandum and Order that as a matter of law there was not infringement and denied the companion issue that LRV's patent was invalid as a matter of law. R.B.App. A, 57a.

On March 4, 1998, the District Court dismissed York's counterclaim as a matter of law (App. B, 34a), denying York a trial by jury including the issue of patent invalidity.

The foregoing rulings of February 25th and March 4th completely disposed of all of the issues raised by LRV, York and McClarin with regard to LRV's Complaint and Amended Complaint against York and McClarin, York's Counterclaim, McClarin's Complaint for Declaratory Relief, and LRV's Counterclaim; however, the District Court delayed entering a final judgment from which the parties could appeal.

After the foregoing rulings, on March 12, 1998, having already lost on its charge of infringement against both York and McClarin (and York having lost on its Counterclaim), LRV moved to have its patent declared valid as a matter of law even though its own claims and that of York and McClarin were already adjudicated.

On March 17, 1998, McClarin and York moved to recover attorneys' fees under 35 U.S.C. § 285.

York and McClarin filed a brief, the Declaration of a witness and exhibits in opposition to LRV's March 12th Motion.

With regard to LRV's March 12th motion, York contended that because LRV's claims of infringement already had been decided adverse to LRV and York's counterclaim decided adverse to York, there were no remaining issues to be decided before enabling the parties to appeal. Any ruling by the District Court as to the validity of LRV's patent following the prior dispositions would have been an advisory opinion only and moreover, the court earlier declined to rule on the issue as a matter of law because of LRV's insistence that the dispute required a trial. And furthermore, York's filings in opposition to the motion precluded summary judgment in favor of LRV.

Thereafter, on April 29, 1999, an appealable final order was entered based on the Orders of February 25th and March 4th. *See*, R.B. App. B, p. 63a. Both parties then appealed. York contends the appeal of its Counterclaim carried with it the right to review the invalidity issue raised therein.

LRV attaches great importance to the disposition of its Motion filed March 12th because there is no other way to justify the refusal of the Federal Circuit to review the invalidity issue. In LRV's App. C, 66a the comments of counsel are in reference to the status of LRV's claims of infringement and York and/or McClarin's defenses to LRV's complaint, amended complaint and counterclaim against McClarin, and not with regard to York's Counterclaim that was concluded March 4. Some confusion may be attributed to the consolidation of LRV's Amended Complaint joining McClarin as a defendant, and McClarin's earlier filed declaratory judgment action against LRV and LRV's Counterclaim for infringement in that action. Counsel anticipated an appeal by LRV and if successful did not want to be precluded from contesting the validity of LRV's patent at a later date.

York submits that when a party is charged with infringement and in a counterclaim asserts that the patent is invalid, the Federal Circuit does indeed have jurisdiction (in fact, it has exclusive jurisdiction) to review and decide the issue and should do so or the issue should be decided in a trial of the Counterclaim. LRV's suit on an invalid patent was one of the foundation elements of York's counterclaim and the jurisdiction of the Federal Circuit to decide invalidity issues in a state law counterclaim is an important public issue.

II. LRV's Second Argument

Also at page 1, LRV assets that "[b]oth the District Court and the Court of Appeals applied 'controlling state law' in dismissing York's counterclaim"; however, LRV cannot deny that the District Court relied on a good faith presumption in favor of LRV in dismissing York's

counterclaim. *See*, App. B, 26a where the District Court noted: "Because a patent is presumed to be valid, 35 U.S.C. § 282, a patentee 'has the presumption of good faith as to his infringement filing'(citation omitted). In various statements of opinion by the District Court one can surmise the presumption was ever present in the analysis of the Court. For example, good faith was attributed to LRV because it successfully resisted a motion for summary judgment that its patent was invalid as a matter of law and the Court held a hearing to interpret the claims; however, neither fact fairly suggests good faith on the part of LRV. One must concentrate on the facts prior to the filing of a suit and not afterwards. In LRV's brief to the CAFC at page 19, LRV directed the Court's attention to the presumption ("Because a patent is presumed valid, 35 U.S.C. § 282, a patentee 'has the presumption of good faith as to his infringement. . .'"

That there is a direct conflict as to this issue between the Federal Circuit and the Ninth Circuit Court of Appeals as pointed out in the petition at pages 16-25 is beyond dispute. Also, LRV has not denied and indeed cannot deny, that in case after case the Federal Circuit has favored patent holders with a presumption against accused infringers when it comes to the latter's effort to obtain redress for baseless charges of infringement. In LRV's brief to the CAFC, LRV made specific reference to the presumption to justify the result reached by the District Court and in the District Court supported its motion for summary judgment by citing *THK America, Inc. v. NSK Co., Ltd.*, 157 F.R.D. 660 (N.D. Ill. 1994), for the proposition that "filing of lawsuit did not constitute antitrust violation, *particularly because patents have presumption of validity and infringement suit is presumed to be brought in good faith.*" (Emphasis supplied.) LRV's Brief in support of Motion for Summary Judgment at page 9.

Undoubtedly at this time LRV would like to avoid responsibility for use of the presumption against York but it is an irrefutable fact that the CAFC has adopted and applied

the presumption and that it was used against York by the District Court and called to the attention of the Federal Circuit by LRV. The CAFC's affirmance was based on the alleged failure of York to prove damages, (App.A, 8a), not withstanding that for six years York was estopped from marketing its own fastener patent in competition with LRV because of LRV's infringement claim.

Further, that the District Court required York to overcome the presumption by clear and convincing evidence is indicated by subsequent statements made by the District Court. LRV, in its brief at page 13, quotes from a proceeding held April 28, 1998 at which time the District Court stated as follows:

> . . . I find *no clear and convincing evidence of gross negligence or bad faith*, on the part of LRV, and during the prosecution of this case, *I find no clear and convincing evidence*, no evidence of — I'll amend that statement to say, no evidence of bad faith conduct or vexatious conduct, on the part of LRV. (emphasis added)

Putting aside that the Court was expressing an opinion on conflicting evidence, the clear and convincing standard of proof in patent law applies to invalidating a patent but otherwise the preponderance test applies. In state law only the preponderance test would apply. The Court's reference to York's need to prove bad faith or gross negligence by clear and convincing evidence can only relate to overcoming the presumption of good faith which the CAFC has grafted onto patent law.

LRV also seeks to belittle the merit of the petition by reference to various statements made by the District Court supportive of LRV's alleged good faith (which are opinions), a two-day evidentiary hearing that the Court conducted at LRV's insistence to determine claim scope and the Court's fifty-page Opinion which LRV included in its appendix. At page 9 of LRV's Brief, it quotes the District Court:

> Reasonable minds could indeed differ as to the conclusion reached on the proper construction of the claims at issue.

However, the foregoing gratuitous comment accords LRV far more credit than is due. The Federal Circuit went directly to the heart of the matter and in about four-pages (App.3a-6a), promptly concluded that LRV could never prove infringement. No limitations were required to be read into the claims and the quoted comment by the District Court only points to the difficulty, confusion or misconception experienced by the District Court despite its effort, consideration and extensive opinion. The Federal Circuit had no need to refer to the hearing testimony any more than York's witnesses to understand from LRV's patent claims that there was not infringement. York and McClarin objected to the hearing as completely unnecessary. (See R.B.App. A, 3a, "LRV pressed for an evidentiary hearing to present extrinsic evidence on claim construction, while York adamantly opposed such a proceeding.") Also see footnote 15, in the same appendix at 30a as to the court's observations concerning LRV's witness at the proceeding.

The point here is not to focus on the difficulty that the District Court experienced in its understanding and analysis of the issues of infringement, patent validity/invalidity, unfair competition or gratuitous comments, but rather, to recognize a truly significant underlying legal issue of national importance that merits review by this Court that goes far beyond this case and applies to all accused infringers.

Finally, LRV also makes too much of the fact that the opinions in this case are unpublished and McClarin was not a party to York's counterclaim. While McClarin is not a party to York's Counterclaim it was charged with infringement by LRV and supports the petition. The fact is clear that underlying the dismissal of York's counterclaim is an important legal issue of great importance to all accused infringers and there is a direct conflict with regard to that

issue between the Federal and Ninth Circuits. The Ninth Circuit, the first to erect the presumption of good faith barrier to federal antitrust claims made by accused infringers against patent holders, later recognized the barrier as unwarranted with regard to state claims against patent holders. Further, the presumption finds no support in decisions of this Court. The time is ripe for review. The presumption of good faith cannot be justified. It is not based on facts or experience; rather, it is a legal device created by the CAFC that discriminates by favoring one party over another — the patent holder over a falsely accused party.

CONCLUSION

For these reasons, as well as those stated in the petition, the writ should be granted.

Respectfully submitted,

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